



---

# **MacMillan Bloedel Limited**

## **1975 Annual Report**



---

## Contents

---

Directors' Report to the Shareholders .....	2
Historical Review .....	16
Consolidated Financial Statements .....	18
Operations, Sales Offices and Distribution Centres .....	31
Directors and Officers .....	32

---

---

### H. R. MACMILLAN

This report to shareholders will be the last to show the name of H. R. MacMillan as an Honorary Director of the Company. Mr. MacMillan died on February 9, 1976. He was for more than 50 years a principal architect of the Company's affairs. Known affectionately as "H.R." to his associates, he possessed a natural skill for grasping issues central to the Company's operations and for stating them effectively in debate and discussion. The Directors wish to express the genuine affection and esteem which they felt for H.R., and their deep sense of loss at his death.

---



**MacMillan  
Bloedel  
Limited and  
Subsidiaries**

**Summary of  
Significant Facts**

Year ended  
December 31, 1975

	1975	1974***
<b>Earnings</b>		
Sales and other income:		
Sales of products and services .....	\$1,296,689,000	\$1,396,330,000
Other income .....	829,000	2,518,000
	<u>\$1,297,518,000</u>	<u>\$1,398,848,000</u>
Earnings (loss) before income taxes, equity in earnings or losses of partly-owned companies and minority interests .....	\$ (18,825,000)	\$ 112,970,000
Net earnings (loss) after income taxes, equity in earnings or losses of partly- owned companies and minority interests		
Amount .....	\$ (18,943,000)	\$ 72,298,000
Basic net earnings (loss) per share .....	\$ (.89)	\$ 3.41
Charge for:		
Depreciation .....	\$ 49,386,000	\$ 44,979,000
Depletion .....	5,005,000	5,316,000
Amortization of logging roads .....	5,904,000	7,887,000
	<u>\$ 60,295,000</u>	<u>\$ 58,182,000</u>
Earnings retained in business at end of year	\$ 312,233,000	\$ 343,292,000
<b>Basic cash flow</b> .....	\$ 61,941,000	\$ 131,581,000
<b>Property, plant and equipment*</b>		
Additions .....	\$ 82,000,000	\$ 136,506,000
Proceeds on disposal .....	(7,078,000)	(3,297,000)
Profit (loss) on disposal .....	457,000	(475,000)
Net additions .....	<u>\$ 75,379,000</u>	<u>\$ 132,734,000</u>
<b>Percentage of long term debt to total     capital employed</b> .....	35.3	32.7
<b>Dividends</b>		
Amount .....	\$ 13,793,000	\$ 37,125,000
Per share .....	\$ .65	\$ 1.75
<b>Employees</b>		
Wages, salaries and employee benefits .....	\$ 352,733,000	\$ 344,976,000
Number at end of year .....	23,206	23,847
<b>Shareholders</b>		
Number at end of year** .....	16,654	16,385

\*Including property, plant and equipment of subsidiaries acquired during the year.

\*\*Excluding holders of share warrants.

\*\*\*Certain 1974 figures have been restated (see Note 2 to Consolidated Financial Statements).



## Directors' Report to the Shareholders

The world-wide recession which began in mid-1974 persisted to a large extent throughout the past year. Although the resulting depression of economic activity did not affect all areas of MacMillan Bloedel's business in equal measure, it nevertheless drastically affected the transportation and forestry and building materials operations of the Company and helped set the stage for the most costly strike the Company has ever undergone.

In combination, these factors caused the Company to incur a loss in 1975 for the first time in its history.

The continued downturn in the economies of Europe and Japan, and the failure of the United States construction market to respond to a moderate economic recovery in that country, kept demand and prices for lumber products at depressed levels, with a consequent adverse effect on earnings throughout 1975. In addition, substantial losses were incurred in the logging sector of the Company's forestry and building materials operations as a result of lower log prices and increasing logging costs. The world-wide economic recession also affected the Company's investments in Europe and the Far East which, overall, recorded only a modest profit in 1975 compared with their substantial contribution to MacMillan Bloedel's earnings in 1974.

Additionally, the Company encountered serious difficulties with respect to its transportation activities.

Very large volumes of MacMillan Bloedel's products must be moved over considerable distances to customers in many parts of the world. The importance to the overall financial success of the Company of being able to carry out such movements in a timely, efficient, reliable and economic manner can scarcely be over-emphasized.

It follows logically, therefore, that MacMillan Bloedel has been quite deeply involved in coastal and ocean transportation activities for many years and has, in fact, carried on the business of operating chartered vessels since 1924. In 1972 and 1973, rapidly escalating freight rates and the virtual monopolization of world shipyards by oil tanker construction, gave rise to concern that MacMillan Bloedel might be faced in due course with exorbitant costs in shipping its products to world markets.

Accordingly, it was decided that the Company would embark on a programme under which it would charter for long term periods approximately 1.6 million dead weight tonnage of vessels which would include a substantial number particularly well suited to the transportation of various types of forest products. Although it was recognized that a fleet of that size exceeded current requirements, the benefits resulting from a degree of business diversification and the control of a number of suitable vessels were felt to provide an offset against the risk of cyclical freight rate downturns.

During 1974, the business diversification did produce advantageous results in that the contribution towards total Company profits from transportation operations amounted to \$26.2 million (before tax). However, the

world-wide recession and an over-capacity in oil tanker tonnage resulting from recession and re-adjustment of demand following the embargo and price increases initiated by the Organization of Petroleum Exporting Countries, caused freight rates to fall. By mid-1975, shipping markets were in one of the worst slumps seen in post-war years. This situation continues.

As a result of this catastrophic slide in shipping markets, and as a result of the concurrent shrinkage in the volume of forest products shipped from British Columbia, the Company's transportation activities lost \$46.3 million (before tax recoveries) in 1975. Of that figure, \$8.4 million represents a provision for losses (before tax recoveries) with respect to voyages and sub-charters entered into in 1975 but terminating in 1976 and 1977.

At the present time, it appears improbable that shipping markets will strengthen much before 1977 and it is anticipated, therefore, that the Company will continue to incur substantial losses during 1976 from its transportation operations.

Although the basic policy which underlay the fleet expansion was sound at the time the decision was taken, the changes which occurred in the patterns of world shipping demand and supply necessitated a re-examination of the Company's involvement in ocean transportation. As a result of such re-examination, it has been decided that MacMillan Bloedel's future policy will be to charter a fleet of moderate size for terms of one year or more, sufficient to transport approximately 50 per cent of the Company's forest product shipments, and to supply the residual transportation

requirements by way of short term contracts. Back-haul cargoes will continue to be sought.

Accordingly, the size of the present fleet will be reduced gradually as charters expire and the ships are redelivered to their owners. By the end of 1976 the fleet under MacMillan Bloedel's control will be thus reduced to approximately 1 million dead weight tons.

The third serious financial drain encountered during the past year arose from strikes which affected all of MacMillan Bloedel's operations in British Columbia, its newsprint mill in Saint John, New Brunswick, and to a lesser degree some of the Company's corrugated container operations on the prairies.

It had become clear by 1975 that the British Columbia forest industry was steadily slipping behind in its ability to compete in world markets. This was exemplified by the fact that many competing firms in the United States and Scandinavia operated at higher levels of capacity in the depressed demand conditions of recent times than did their Canadian counterparts.

Consequently, the very high wage demands put forward in the summer of 1975 by the three major unions representing forest industry workers in British Columbia were simply beyond the ability of the industry to grant if any hope were to be retained of restoring its competitive position.

During the protracted negotiations which took place, and despite mediation, the two pulp unions involved struck the industry in July, closing virtually all of MacMillan Bloedel's operations in British Columbia for about three months. Even after that period, resumption of operations was only achieved in October after the British



Columbia government passed legislation requiring the employees to return to work. While settlement was eventually achieved in October with the International Woodworkers of America, negotiations with the two pulp unions continued, with agreement finally being reached in late December subject to approval by the Anti-Inflation Board.

It is very difficult to compute with any degree of accuracy

the losses incurred by the Company as a result of the strike because depressed markets would likely have caused some production cut-backs in any event. Conservatively, however, it is estimated that at least \$20 to \$25 million (before tax recoveries) were lost by the Company as a result of the three month closure. Further losses of over \$3 million (before tax recoveries) were incurred in 1975 as a result of a strike

by the pulp union workers at MacMillan Rothesay Limited in New Brunswick. This strike commenced on October 23rd and settlement (subject to Anti-Inflation Board approval) was finally reached in February of this year with the mill resuming operations February 23rd.

In total, losses from transportation operations and the logging sector of the Company's forestry and building materials activities, together with the profit drain resulting from the two major strikes, amounted to over \$85 million (before tax recoveries) in 1975. It is fortunate, therefore, that the breadth of MacMillan Bloedel's operations is such that earnings from other areas of activity were sufficient to prevent these very serious losses from undermining the Company's basic financial strength.

Overall, the Company achieved \$1,297,518,000 of sales and other income for the year compared with \$1,398,848,000 in 1974, but incurred a net loss of \$18,943,000 (\$.89 per share) compared with net earnings of \$72,298,000 in 1974 (\$3.41 per share).

The setbacks encountered by the Company in 1975 have naturally caused concern and it is for that reason that the matters referred to above have been treated rather more fully in this part of the report than would normally be the case. In order to

mitigate as much as possible the effects of the setbacks, tight limits over expenditures of all kinds were imposed. As a result, the Company's business remains fundamentally sound and MacMillan Bloedel has entered 1976 in a position to take advantage of economic recovery when it occurs. In this regard it must be said that the extraordinary problems faced in 1975 made necessary difficult decisions which were disappointing to shareholders, the Company's management and to employees. However, they were engendered by principles of prudence the pursuit of which is vital to the Company's financial integrity.

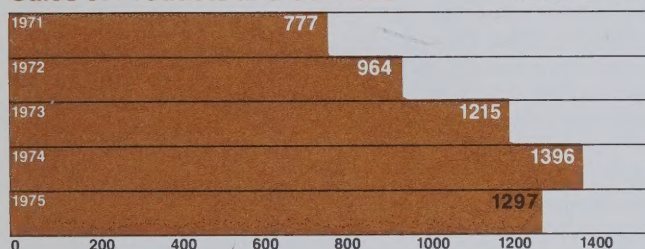
During 1976, transportation losses, as indicated previously, will continue and it is not likely that lumber markets will improve substantially until the latter part of the year. However, barring a relapse in the rate of recovery of the United States economy, it appears probable that the pulp and paper and packaging operations of the Company will make healthy contributions to earnings throughout most of the year.

It is anticipated, therefore, that the Company will be restored to a profit position in 1976.

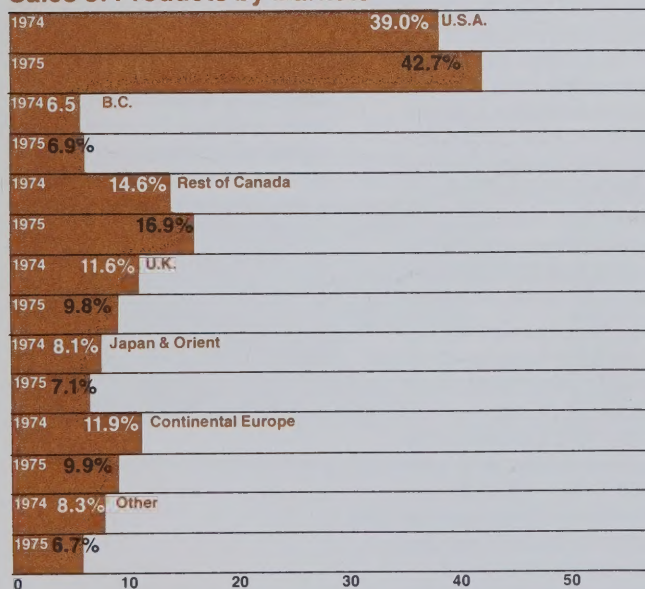
Some further details of the Company's activities during 1975 are given on pages 4 to 11:

## Sales of Products and Services

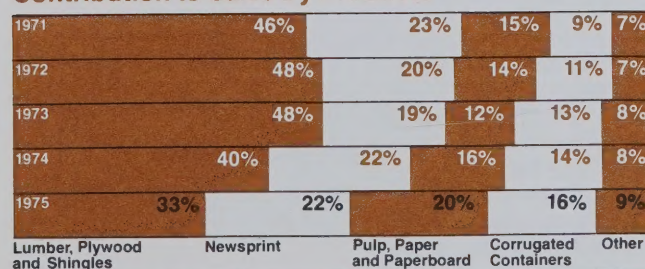
Millions of Dollars



## Sales of Products by Markets



## Contribution to Sales by Products



## Distribution of Total Income

	1975	1974 *
Purchases of Goods, Supplies and Services	67.3%	60.5%
Wages, Salaries and Employee Benefits	27.2	24.3
Federal, Provincial, State & Municipal Direct Taxes	2.3	5.9
Depreciation, Depletion and Amortization	4.7	4.1
Minority Interests in Subsidiaries	—	.1
Dividends	1.0	2.6
Earnings Retained (Deficiency)	(2.5)	2.5
	100.0%	100.0%

Note: Total income includes equity in earnings or losses of partly-owned companies

\* Certain 1974 figures have been restated (see Note 2 to Consolidated Financial Statements).



## Forestry and Building Materials

Demand for the Company's building material products continued to decline in every major market during 1975. Depressed prices, coupled with continued escalation in production costs, had a serious effect on the results of the forestry and building materials operations throughout 1975. A related reduction in log prices, together with increasing logging costs, caused substantial losses to be incurred in the logging sector of those operations. Last year's results were also impaired by the three-month strike by the Canadian Paperworkers' Union and the Pulp and Paper Workers of Canada at the major production centres in British Columbia which, due to the integrated nature of the Company's facilities, required closure of related building material operations. These factors caused the Company's forestry and building materials activities to incur an operating loss of \$28.9 million in 1975 (before tax recovery).

Except for the strike, productivity in logging operations in British Columbia would have been improved as a result of more intensive management in smaller logging units and improved crew morale and attitudes. Unfortunately, it is estimated that almost one million man-hours and approximately seventy million cubic feet of log production were lost due to the closures. This loss of production, together with the continuing escalation in costs of required supplies and services and of labour, resulted in an 18% increase in unit logging costs in 1975 compared with 1974.

The inflexible application of the British Columbia Forest Service guidelines result in approximately 50% of the developed timber being unavailable for logging. Accordingly substantial increases occur

in logging costs and road construction expenditures. During the year a major effort was made in developing alternatives to the guidelines that will ensure the protection of the environment and will provide the flexibility required to harvest the forest efficiently.

The decreased demand for lumber products in 1975 caused lumber prices to slump significantly. As a result, the Company's average sales realizations per 1000 board feet decreased by nearly 9% relative to 1974. Overall, the Company's sawmill facilities operated at only 51% of capacity compared with 68% in 1974 and 89% in 1973.

The demand for plywood in Canada was depressed during the first quarter of 1975 but subsequently improved. Unfortunately, the plant closures in British Columbia and slow markets in the United States resulted in imports from American sources taking a major share of the Canadian markets and displacing Canadian production in overseas markets. This competition also had a significant effect on price levels in all markets.

Demand for ASPENITE\* panels in Canada strengthened during 1975. With plywood plants in British Columbia closed by the labour disruptions a heavy order file was built up during the third quarter and was maintained for the balance of the year. Market acceptance of ASPENITE panels in the United States has been encouraging but penetration of overseas markets remains low. The development of a new waferboard panel (sold under the registered trade mark RUFFDEK) has expanded the market for this product to roof sheathing and demand in this application is also encour-

aging. Production from the new plant at Thunder Bay and additional volume from the Hudson Bay plant resulted in a 20% increase over 1974.

Particleboard demand in Canada was steady throughout the year but American imports rose to about 40% of the market and prices were depressed as a result of these highly competitive conditions. During 1975, the Company's new particleboard mill in Alabama commenced operations, resulting in an 85% increase in total particleboard production by MacMillan Bloedel over the 1974 level.

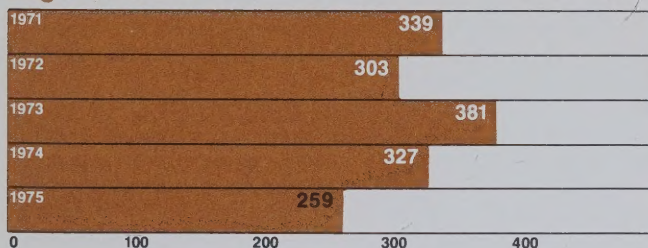
During the year, most of the forest industry and many other interested parties made representations to the Royal Commission on Forest Resources established by the government of British Columbia. The report from the Royal Commission, which will deal with many important aspects of the forest industry in British Columbia, including the level of timber licence royalties, is expected to be released for consideration later this year.

\*Registered trade mark of MacMillan Bloedel Limited



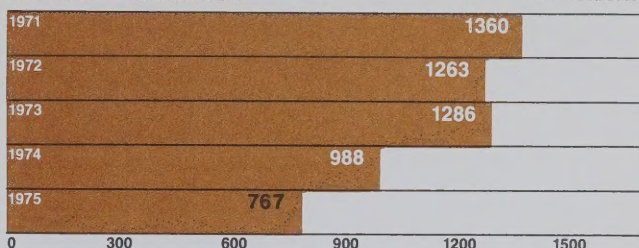
## Log Production

Million Cubic Feet



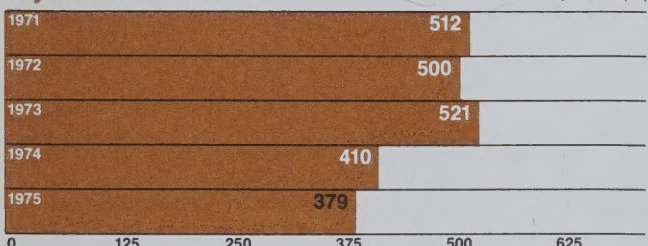
## Lumber Production

Million Board Feet



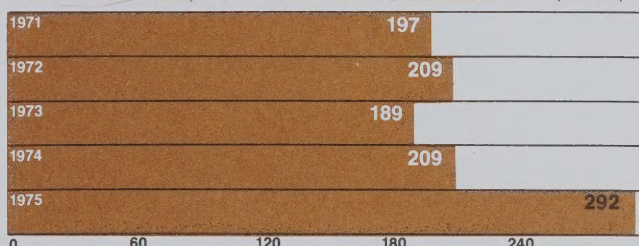
## Plywood Production

Million Square Feet (1/4")

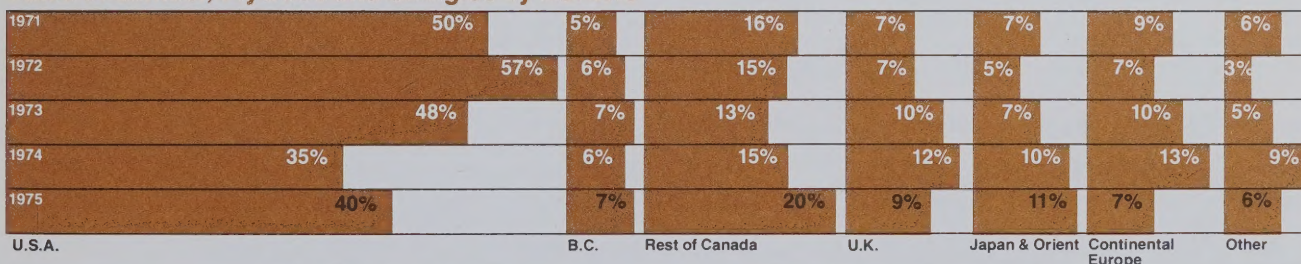


## Particleboards, Waferboards Production

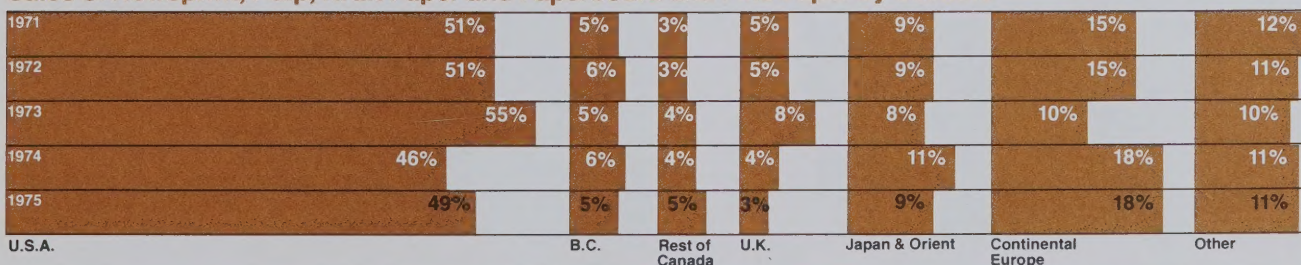
Million Square Feet (3/4")



## Sales of Lumber, Plywood and Shingles by Markets



## Sales of Newsprint, Pulp, Kraft Paper and Paperboard and Fine Paper by Markets





## Pulp and Paper

Despite some reduction in newsprint demand and weakening of pulp and paper markets, MacMillan Bloedel's pulp and paper operations were somewhat less depressed in 1975 than other areas of the Company's business. Price levels were generally higher on average than those in 1974 due to price increases which were achieved during 1974 and early 1975. The major influence on 1975 was the impact of the prolonged strikes in British Columbia and in New Brunswick which prevented the Company from supplying all the demand for pulp and paper products.

Strong markets for newsprint were experienced in the first half of the year as consumers built up inventory positions in anticipation of possible

supply disruptions stemming from the labour negotiations in almost all of the Canadian industry. As a result, many of MacMillan Bloedel's customers had sufficient inventory to avoid supply difficulties during the strike, but some shortages did occur and in such cases the Company made every effort to meet customers' needs, including the purchase for resale of substantial tonnage.

Offshore markets remained firm throughout the year, with some of the production from the newsprint mill in New Brunswick being re-directed to meet this demand. Following the resumption of operations in British Columbia in October, 1975, demand for newsprint remained strong in all markets, particularly those disrupted as a result of strikes in Eastern Canada. MacMillan Bloedel's newsprint facilities operated at 72% of capacity.

Markets for kraft pulp were soft during 1975 reflecting the greater sensitivity of this product to economic conditions. While MacMillan Bloedel sells a substantial portion of its pulp production under long term

contracts, these arrangements provided only partial protection against the reduced consumption levels experienced last year. Overall, MacMillan Bloedel's pulp facilities operated at 57% of capacity.

Linerboard demand reflected the reduced level of activity in the Company's own packaging plants and in those of other customers. Price levels in the United States, the principal market for the Company's linerboard production, were firm but some erosion occurred in overseas markets. The operating rate in 1975 for MacMillan Bloedel's linerboard capacity was 76%.

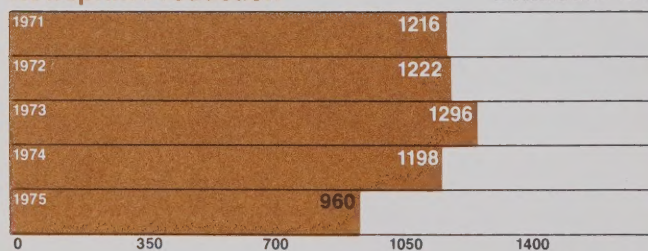
During 1975, the Company adopted new pulping technology by constructing thermo-mechanical pulp facilities at both the Powell River mill and the MacMillan Rothesay mill in Saint John, New Brunswick. While this technology is a relatively new development, MacMillan Bloedel was extensively involved in the development work in this area as long ago as the early 1960's. Thermo-mechanical pulping involves the refining of wood chips

after steaming them at high temperatures. Use of thermo-mechanical wood pulp permits the manufacture of newsprint with significantly lower proportions of kraft pulp. The thermo-mechanical pulp mill at Powell River has an annual capacity of 46,000 tons and was successfully started up in May, 1975. The thermo-mechanical mill at MacMillan Rothesay will have an annual capacity of 100,000 tons and will be the largest installation of its kind in the world. The facility at MacMillan Rothesay will greatly improve the competitive position of that mill by reducing its dependence on purchased kraft pulp.

The thermo-mechanical pulping facility at Powell River is part of a major modernization programme involving the installation of a 34 megawatt hydro-electric generator, and the closure of two old groundwood mills and two more of the obsolete small newsprint machines. The production lost from retiring the old newsprint machines will be recovered by increased production from other machines.

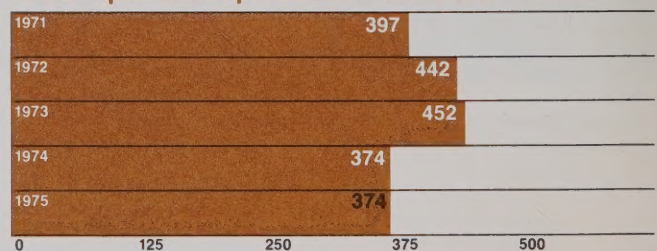
### Newsprint Production

Thousand Short Tons



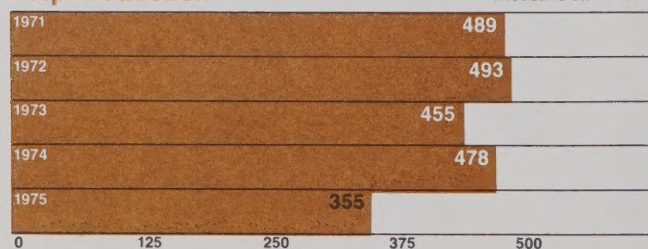
### Kraft Paper and Paperboard Production

Thousand Short Tons



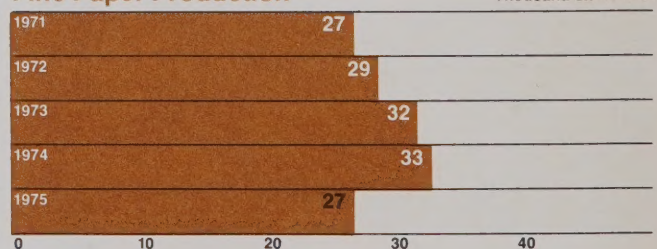
### Pulp Production

Thousand Short Tons



### Fine Paper Production

Thousand Short Tons





July 1 =

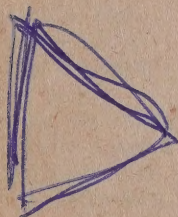
high of 1.6 million  
1.2 million

~~Dec 31~~ -

Jan 1 77 - 1 million tons

1974 July 1 → on balance  
800,000

depending on  
back haul  
price



49 - coal

is that in good

grain







## Packaging

Despite depressed economic conditions, sales of packaging products reached record levels. Although volume was down 14% from 1974, total sales amounted to \$205.1 million in 1975, compared with \$204.8 million in 1974. The packaging operations world wide consumed 443,000 tons of linerboard and corrugating medium during

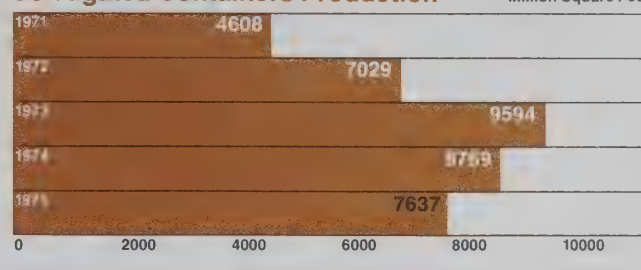
the year, of which 233,000 tons were derived from the Company's mills at Pine Hill, Alabama, and Port Alberni, British Columbia.

Earnings, however, were affected by reduced volume and escalating costs. Increased costs could not be fully recovered through price increases because of the weak economic conditions and strong competitive activity. In some geographic areas, price decreases were necessary. The Canadian and United States plants were also handicapped by strikes and picketing at several locations.

In each of the geographic areas involved—Canada,

## Corrugated Containers Production

Million Square Feet



the United States and Great Britain — the contribution to total Company earnings was less in 1975 than in 1974.

A small plastic products plant was opened in April, 1975 in the United Kingdom. This plant produces a plastic packaging cushioning material for which

MacMillan Bloedel was previously the sales agent in the United Kingdom.

In the United States, the Company has formed a mechanical packaging systems division which will help the packaging plants widen their service base to customers by supplying in-line packaging systems.

## Transportation

The recession experienced by all major trading countries in 1975 significantly decreased the level of international trade. The impact of this reduction on international shipping was magnified by the excess oil tanker tonnage which occurred as a result of a shift in the pattern of consumption of petroleum

products. Some tanker owners actively sought general freight business thus increasing the supply of tonnage bidding on the diminished amount of cargo.

This excess supply of tonnage resulted in a very material decrease in the level of freight and short term charter rates.

A substantial amount of MacMillan Bloedel's tonnage under charter in

1975 was in excess of the requirements for the Company's forest products shipments—a factor which was heightened by the production disruptions in British Columbia. Accordingly the decreased rates had a significant impact on the Company's transportation activities. Since the vessels were chartered by MacMillan Bloedel during the more prosperous period of 1973 and 1974 and for relatively longer terms, the costs of these charters were substantially in excess of their revenue generating capacity. Consequently a loss of \$46.3 million (before tax recoveries) was incurred in 1975 by the Company's transportation activities.

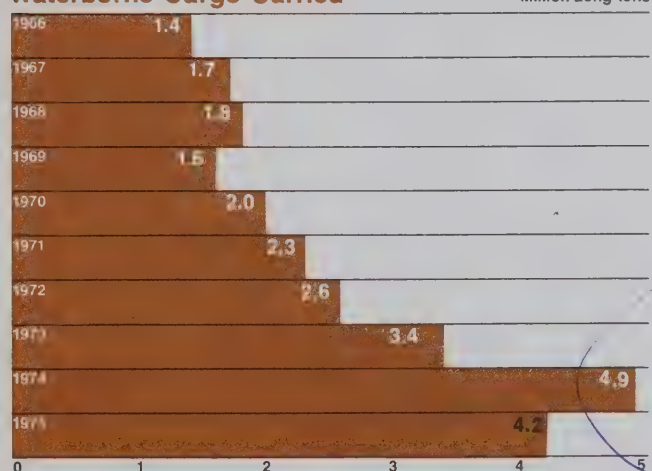
At December 31, 1975, the Company had 50 vessels

under charter and delivered having an aggregate tonnage of 1,489,000 dead weight tons. These charters expire during the next several years as shown in the table set out below. In addition to the above mentioned vessels, 308,000 dead weight tons of ships will be delivered to the Company in 1976 and 1977. Of these ships, 111,000 dead weight tons will be re-delivered to owners in 1978 and 1979, and the balance in 1980 and subsequent years.

The major portion of the 308,000 dead weight tons, referred to above, is represented by four vessels being constructed specifically for the carriage of forest products and under charter for eight years from the dates of delivery.

## Waterborne Cargo Carried

Million Long Tons



## Dead Weight Tons to be Redelivered to Shipowners

In 1976 .....	691,063
In 1977 .....	490,631
In 1978-1979 .....	299,772
In 1980 and subsequent .....	7,802
	<u>1,489,268</u>



## Investments and Joint Ventures

The European companies in which MacMillan Bloedel has major investments faced an extremely weak pulp and paper market in 1975, in line with the depressed European economy.

Paper consumption throughout Europe declined sharply in 1975 reducing the sales and price levels of fine paper and packaging materials at Koninklijke Nederlandse Papierfabrieken N.V. (KNP), the Dutch company in which MacMillan Bloedel holds a 44.5% interest, and also reducing fine paper sales in Spain of Celupal, S.A., which is owned as to 37.5% by MacMillan Bloedel and 37.5% by KNP.

Low paper demand caused papermakers in France, as elsewhere in Europe, to fulfill a low percentage of their pulp purchase contract commitments. La Cellulose d'Aquitaine S.A., 40% of whose shares are owned by MacMillan Bloedel, experienced significant reductions in pulp orders beginning in mid-1975. With the resulting build-up of inventories, reduced production through mill shut-downs was necessary in the last quarter of 1975. While pulp prices were maintained throughout the year, the sharp drop in the level of shipments resulted in La Cellulose d'Aquitaine S.A. being barely profitable in 1975.

MacMillan Bloedel owns a 51% interest in MacMillan Jardine Limited. In addition to its Far Eastern trading operations, MacMillan Jardine has interests in a number of Asian investments in the logging and building materials sector. The economic recession, particularly in Japan, resulted in these investments doing very poorly in 1975 but an anticipated economic rebound in 1976 should permit these companies to realize part of their potential.

Embrasca-Empreendimentos Florestais e Agrícolas Ltda., the company in southern Brazil in which MacMillan Bloedel has a 51% interest, is undertaking a large afforestation project which is expected to extend over 10 years. Land acquisition proceeded satisfactorily in 1975, the first full year of operations, but planting was hampered by unusually bad weather. It is expected that the resulting forests will eventually provide the base for a large integrated forest products complex which will rely heavily on local participation.

In 1975, the Company continued to develop a fence and allied products business. This activity began in 1974 with the acquisition of an 83.3% interest in Walpole Woodworkers, Inc., a New England manufacturer and retailer of cedar fencing and garden furniture. In August, 1975, the fence business was expanded by the acquisition of Habitant Shops, Inc., a cedar fence manufacturing company with three plants in northern Michigan. Also in 1975, construction began on a new fence and specialty lumber manufacturing facility at Edenton, North Carolina. This mill, which is expected to begin production in the spring of 1976, will serve markets in the southern and eastern regions not already covered by the other facilities. While the fence and allied products business has the potential to expand substantially, this business was not profitable in 1975 due to the severely depressed conditions in the industry and start-up costs at the North Carolina facilities. In early 1976 this area of activity was absorbed by the Forestry and Building Materials Group of the Company.

MacMillan Bloedel has a 28.2% interest in Industrial-

America Corporation of Jacksonville, Florida, whose primary activity is the manufacture and sale of machinery for the lumber and plywood industry. Prior to 1975, a subsidiary of Industrial-America Corporation was engaged in the development of a major real estate project in Florida. With the severely depressed conditions of the Florida real estate market, it was decided to terminate these activities and agreement was reached with the principal creditors to take over the project. The resultant losses of this disposal, combined with losses in the continuing operations of Industrial-America caused MacMillan Bloedel to provide fully for this investment in 1975 in the amount of \$4.4 million.

Over the last two years, MacMillan Bloedel has made several investments in small, developing companies which were not directly related to the principal activities of the Company but which had the potential of evolving into larger successful adjuncts to the Company's forest products business. In general, these companies did not do well in 1975 due to highly adverse operating conditions.



## Environment

Continued progress was made during the past year in all facets of the Company's extensive environmental improvement programme. Several projects aimed at reducing emissions into the air and water were completed or were in progress at pulp and paper mills in 1975 and several pollution abatement installations in the lumber, shingle and panelboard plants were placed in operation.

The pulp and paper mill at Port Alberni now meets the highest standards for particulate emissions from recovery boilers with the addition of a new electro-

static precipitator. An outfall and diffuser station at the Harbortrac mill will minimize the effect of mill effluent going into Cormorander Channel. At the Powell River mill, work has begun on a major effluent treatment programme which will have an ultimate cost of about \$15 million.

The most notable achievements in the building materials sector were the replacement of hydraulic decarkers with mechanical decarkers at the New Westminster Division and Canadian White Pine mill to eliminate dark effluent emissions into the

Fraser River, completion of the newly developed rotary fuel preparation system, also at Canadian White Pine and the installation of multi-cyclones on the Orenamus Sawmill Division power boilers. The multi-cyclones are expected to reduce substantially power boiler fly ash emissions.

Significant advances have been made in the Company's oil spill prevention programme. Improved storage and handling facilities are being developed at all operations and waste oil collection and recycling systems have become an integral part of the waste operations.

## Industrial Relations

MacMillan Bloedel employs more than 15,500 people in British Columbia and over 23,000 in its world-wide operations. During 1975, the Company spent \$252.7 million on wages, salaries and employee benefits which represents 27% of total sales and other income.

Twenty-one collective agreements covering 10,700 hourly-paid employees expired during 1975. Negotiations were difficult and were conducted against a background of significant world markets for the Company's products and high inflation rates. Major strikes occurred in the British Columbia pulp and paper industry, effectively curtailing all of the Company's operating divisions in the province. The Com-

pany's newsprint mill in New Brunswick was also struck in the last quarter of the year.

While the contracts negotiated with the international employees of America, Canadian Paperworkers Union and the Pulp, Paper and Millworkers of Canada were for periods of two years and hence will not be renegotiated until 1977, a greater number of contracts covering about 2,000 employees expired in 1975. Negotiation of about 100 contracts at the Company's Canadian operations will be subject to the federal government's wage guidelines.

In 1975, the Company continued its Annual Report Day and extended it to include employees outside North America. As in

previous years, the reaction from the participating employees was excellent.

During 1975, 327 employees were inducted into the 25-year Club, bringing the total membership to 4,325 of whom 1,300 members remain in active service with the Company.

There has been increasing employee response to the share purchase plan, available since 1954 to all Canadian employees with two years service. The 1,167 employees who are currently enrolled in the plan have purchased almost 707,000 ordinary shares of MacMillan Bloedel. The majority of these shares are held by the Trustee of the plan.



## Financial Overview

The loss in 1975 reduced the average return on total capital employed by the Company over the last five years to 5.8%.

Apart from increased emphasis on an already stringent programme of cost controls, the Company reduced the volumes of inventories of raw materials and finished goods to the maximum extent possible while still retaining sufficient stocks for the anticipated sales requirements in 1976. These reductions, combined with other measures, enabled the Company to reduce short term borrowings to \$44.8 million by year end despite the poor results of the year's operations. During the year, the Company increased its short term lines of credit from commercial banks in Canada and the United States (included in which are contractual lines of credit aggregating \$173.5 million). Hence, year end borrowings were only a moderate proportion of the total short term credit available to MacMillan Bloedel.

In 1975, the Company made net additions to property, plant and equipment of \$75.4 million, principally on cost reduction programmes, logging road construction and normal replacement of productive assets. Due to the depressed results of 1975, many capital projects which had originally been planned for that year were substantially modified or deferred until later years and only those which were essential or could not be postponed were made. This tight rein on expenditures is being continued in 1976.

A number of long term financing transactions were entered into or considered by the Company in 1975. As mentioned in the 1974 annual report, MacMillan Bloedel issued \$40 million of 11¼ % Series G Debentures in January 1975. In

addition, arrangements were made during the year to refund the \$50 million of Series B Debentures due January 3, 1976. On that date, the Company issued \$50 million of Series H Debentures, carrying an interest rate of 1¼ % above the minimum lending rate charged by a major Canadian chartered bank. The previous issue was then repaid.

In order to reduce the Company's short term borrowing, preparation was made last year for a further long term debt issue but it was decided to defer this issue pending an improvement in market conditions. Subsequently, and in substitution therefor, a \$40 million, 7 year Eurodollar term loan is being explored with a consortium of Canadian and U.S. banks.

In 1975 MacMillan Rothesay Limited, the 65% owned company which operates the Saint John, New Brunswick newsprint mill, retired \$5 million of its outstanding preferred shares. The balance of \$25 million outstanding preferred shares was redesignated to carry a coupon rate of 6¾ %.

As at December 31, 1975, the ratio of long term borrowings to the Company's total capital employed stood at 35.3%.

As a result of the substantial transportation losses incurred by the Company, one of the agencies in the United States which grades long term debt made a denotational change in March so as to grade MacMillan Bloedel's outstanding senior debt in the A minus rather than the A category.

An examination of the Company's pension fund assets and liabilities as at December 31, 1975 indicated an estimated deficiency in assets of approximately \$11.5 million compared with a deficiency of approximately \$17.9

million as at the end of 1974. Provision for the deficiency is currently being made over a 5 year period.

During the past few years, the changing pattern of logging practices — due in significant measure to the onerous manner in which British Columbia Forest Service logging guidelines are administered — has materially increased logging costs by necessitating greater mileages of logging roads and simultaneously reducing the immediate life of spur roads. Accordingly, it has been deemed necessary to have the Company's financial statements reflect a faster rate of absorption of logging road costs than heretofore. Specifically, main logging roads continue to be capitalized but spur roads are now expensed as constructed. A net provision of \$2.4 million (after tax) was made for this in the 1974 financial statements, and in 1975 this policy resulted in a charge of \$4.6 million (after tax) greater than would have been the case if all logging roads had been capitalized.

During 1975 the Government of Canada introduced a prices and incomes control programme which the Company supports in principle. The precise effect of the programme on the Company's earnings is very difficult to forecast because of the complexity of the regulations under which the controls are administered. However, the effect on 1975 earnings is considered to be minimal. The impact on future earnings will be influenced by the rate and extent of recovery of the markets for the Company's products. The legislation is scheduled to expire on December 31, 1978.

Some of the trust indentures under which MacMillan Bloedel has issued long term debt contain restrictions on certain actions of the Company, including the



payment of dividends above a certain level. As of December 31, 1975, the most onerous of these restrictions limited the Company's ability to pay dividends to an amount equal to future earnings plus approximately \$10 million.

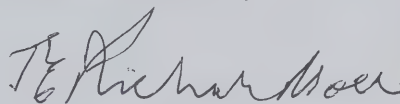
The effects of inflation on required capital investment and on financial reporting were discussed in the 1974

annual report. While Mac-Millan Bloedel recognizes the criticism directed towards financial statements based on historic costs, it remains the Company's view that alternative presentations have not yet been adequately developed. Accordingly, the Company has not included inflation-adjusted financial statements in this year's report and prefers to wait for development of generally

accepted techniques for accounting for inflation before presenting such alternative statements.

However, a simplified set of statements based on historical costs is again provided on pages 12 and 13 which, it is hoped, will be easily read and understood. Formal financial statements are set out at the end of this report.

Submitted on behalf  
of the Board of Directors,

A handwritten signature in dark ink, appearing to read "T. E. Richardson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

*Chairman and acting President*

Vancouver, Canada  
April 2, 1976



# MacMillan Bloedel Limited and Subsidiaries

## Net Earnings (unaudited)

	Sales of Products and Services		Earnings	
	Year Ended December 31			
	1975	1974	1975	1974*
	(in millions of dollars)			
Contributions from operations:				
Building materials .....	\$ 489.7	\$ 595.4	\$(28.9)	\$ 30.7
Pulp and paper .....	530.5	523.9	102.5	83.7
Packaging .....	205.1	204.8	11.6	15.4
Transportation .....	140.0	163.0	(46.3)	26.2
Other .....	4.1	3.6	(1.3)	3.6
	<u>1369.4</u>	<u>1490.7</u>	<u>37.6</u>	<u>159.6</u>
Less inter-company transactions .....	<u>72.7</u>	<u>94.4</u>	<u>(1.4)</u>	<u>1.9</u>
	<u>\$1296.7</u>	<u>\$1396.3</u>	<u>39.0</u>	<u>157.7</u>
Share of profits (losses) of other companies in which MacMillan Bloedel has a significant interest (before income taxes) .....			(1.9)	35.1
			<u>37.1</u>	<u>192.8</u>
Deduct:				
Unallocated general and administrative expenses .....			26.1	23.2
Interest .....			31.7	21.5
			<u>57.8</u>	<u>44.7</u>
Earnings (loss) before income taxes (see reconciliation below) .....			<u>\$(20.7)</u>	<u>\$148.1</u>
Division of earnings (loss) before income taxes:				
Governments				
Income taxes** (Canadian (Federal and Provincial), United States and various other countries) .....			\$ (1.6)	\$ 74.1
Shareholders				
Share of net earnings (loss) belonging to minority shareholders of certain subsidiary companies .....			(.2)	1.7
Remaining net earnings (loss) belonging to MacMillan Bloedel shareholders:				
Dividends .....			13.8	37.1
Re-invested (deficiency) .....			(32.7)	35.2
			<u>\$(20.7)</u>	<u>\$148.1</u>
Reconciliation:				
Earnings (loss) before income taxes (as above) .....			<u>\$(20.7)</u>	<u>\$148.1</u>
Deduct:				
Current and future years' income taxes (including proportion of income taxes of partly-owned companies) .....			(1.6)	74.1
Minority interests in net earnings (loss) of certain subsidiary companies .....			(.2)	1.7
			<u>(1.8)</u>	<u>75.8</u>
Net earnings (loss) per audited Consolidated Statement of Earnings (see page 20) .....			<u>\$(18.9)</u>	<u>\$ 72.3</u>

\*Certain 1974 figures have been restated (see Note 2 to Consolidated Financial Statements).

\*\*Including income taxes allocated to future years (excluding stumpage, property and sales taxes, and other government taxes amounting to over \$38.5 million (1974—\$39 million) which are reflected in the calculation of the contributions from operations).

### Note:

Sales of building materials do not include any amounts for raw materials and by-products transferred to pulp and paper operations. MacMillan Bloedel considers logs and wood chips to be raw materials rather than manufactured products. Transfers between product and service categories are based on pricing policies which MacMillan Bloedel believes to be reasonable.

Contributions to earnings contain some approximations and are based on inter-company pricing policies and methods of allocating costs which the Company believes to be reasonable but other pricing policies and methods of allocating costs are possible. The figures are not represented, therefore, as the only possible interpretation, but have been computed on a basis consistent year by year and thus portray trends.

The contributions towards earnings represent sales less cost of sales, selling expenses and allocated general and administrative expenses. Contributions to earnings by "Building materials" include the operating results of those logging and forestry operations which, for management purposes, are associated with "Building materials".



## Net Assets (unaudited)

	December 31	
	1975	1974*
	(in millions of dollars)	
<b>Working Capital:</b>		
Accounts receivable .....	\$153.9	\$153.3
Inventories .....	213.6	228.0
Prepaid expenses and miscellaneous .....	13.0	8.8
	<u>380.5</u>	<u>390.1</u>
<b>Deduct:</b>		
Net short term indebtedness .....	33.9	65.5
Accounts payable and miscellaneous liabilities .....	144.9	130.1
Instalment repayments of long term borrowings .....	13.7	10.3
	<u>192.5</u>	<u>205.9</u>
<b>Total working capital .....</b>	<b><u>188.0</u></b>	<b><u>184.2</u></b>
<b>Add:</b>		
<b>Long term Assets:</b>		
Operating plants and equipment (at cost, less depreciation) .....	558.3	544.2
Timber and logging roads (net of depletion and amortization) and land .....	116.3	115.4
<b>Investments:</b>		
Significant investments in other companies		
(at cost plus Company's share of undistributed earnings) .....	76.8	77.6
Other investments (at cost) .....	14.2	16.3
Cost of goodwill of businesses acquired less amortization to date .....	25.3	26.0
Various costs being written off over a number of years .....	3.0	2.9
	<u>793.9</u>	<u>782.4</u>
<b>Capital employed .....</b>	<b><u>981.9</u></b>	<b><u>966.6</u></b>
<b>Deduct:</b>		
Long term borrowings .....	346.9	316.3
Income taxes allocated to future years .....	103.6	93.0
	<u>450.5</u>	<u>409.3</u>
<b>Net Assets .....</b>	<b><u>\$531.4</u></b>	<b><u>\$557.3</u></b>
<b>Ownership of Net Assets:</b>		
Interest of minority shareholders in net assets of certain subsidiary companies ....	\$ 48.0	\$ 43.9
Balance of net assets belonging to MacMillan Bloedel shareholders** .....	483.4	513.4
	<u>\$531.4</u>	<u>\$557.3</u>

\*Certain 1974 figures have been restated (see Note 2 to Consolidated Financial Statements).

\*\*Note: As at December 31, 1975 there were 16,654 shareholders in MacMillan Bloedel.

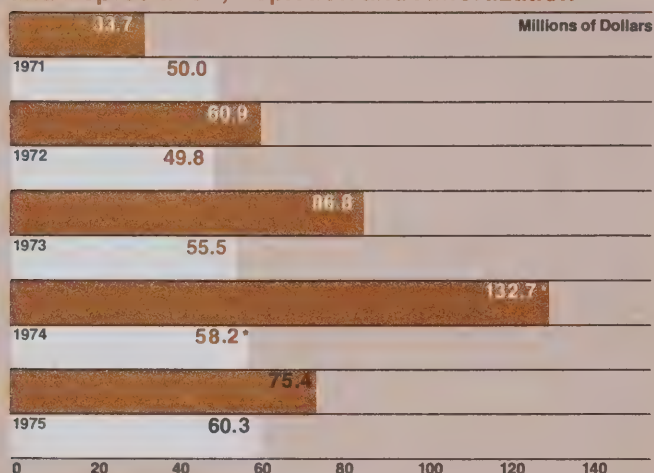
## Capital Requirements and Source of Funds (unaudited)

	Year Ended December 31	
	1975	1974*
	(in millions of dollars)	
<b>Capital Requirements:</b>		
<b>Long term:</b>		
New plant and equipment .....	\$ 80.7	\$133.3
New investments acquired .....	12.9	35.2
	<u>93.6</u>	<u>168.5</u>
<b>Increase (decrease) in current assets other than cash and</b>		
<b>short term investments .....</b>	<b>(9.6)</b>	<b>76.5</b>
<b>Decrease (increase) in current liabilities other than short term indebtedness .....</b>	<b>(18.2)</b>	<b>17.1</b>
<b>Total capital requirements .....</b>	<b><u>\$ 65.8</u></b>	<b><u>\$262.1</u></b>
<b>Source of Funds:</b>		
Funds generated from operations .....	\$ 59.5	\$130.1
Dividends received from partly-owned companies .....	2.4	1.4
	<u>61.9</u>	<u>131.5</u>
<b>Deduct:</b>		
Dividends paid to minority shareholders of certain subsidiary companies .....	2.2	1.7
Dividends paid to MacMillan Bloedel shareholders .....	13.8	37.1
	<u>16.0</u>	<u>38.8</u>
<b>Funds generated by Company and re-invested .....</b>	<b><u>45.9</u></b>	<b><u>92.7</u></b>
<b>Add:</b>		
Increase in long term indebtedness .....	29.1	63.3
Money or assets received for new shares issued .....	1.0	.9
Disposal of assets and miscellaneous .....	21.4	14.3
	<u>97.4</u>	<u>171.2</u>
<b>Increase (decrease) in short term indebtedness .....</b>	<b>(31.6)</b>	<b>90.9</b>
<b>Total source of funds .....</b>	<b><u>\$ 65.8</u></b>	<b><u>\$262.1</u></b>

\*Certain 1974 figures have been restated (see Note 2 to Consolidated Financial Statements).



### Additions to Property, Plant and Equipment (Net) and Depreciation, Depletion and Amortization



■ Additions to Property, Plant and Equipment (net)  
 ■ Depreciation, Depletion and Amortization

\*Certain 1974 figures have been restated (see Note 2 to Consolidated Financial Statements).

### Additions to Property, Plant and Equipment (Net)

The total net expenditures for the year of \$75,379,000 were grouped as follows:

#### Logging

Timber, roads and logging equipment including equipment for road construction ..... \$22,577,000

#### Building Materials

Completion of a particleboard mill at Pine Hill, Alabama, and construction of a sawmill at Harmac, B.C. and a sawmill at Edenton, N.C., pollution control projects and general improvements to operating facilities ..... 14,610,000

#### Pulp and Paper

Construction of the thermomechanical groundwood facilities at Saint John, N.B. and the power generation project at Powell River, B.C., pollution control projects and general improvements to operating facilities ..... 37,200,000

Packaging ..... 2,287,000

#### Transportation

Disposal of a special purpose vessel net of purchase of general operating equipment ..... (1,771,000)

Other ..... 476,000

\$75,379,000

### Distribution of Shares and Shareholders

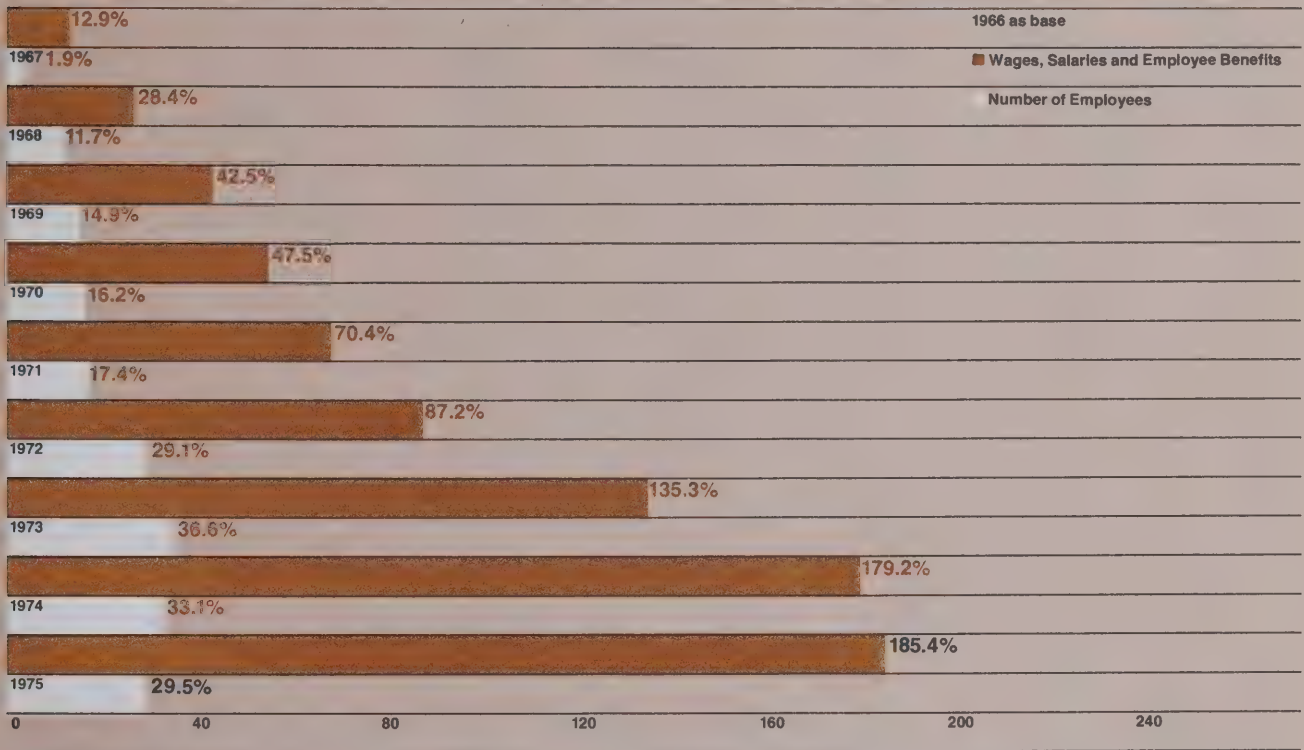
As at December 31, 1975

	Shares	Shareholders
Canada	18,402,056	15,427
United States	2,766,254	1,031
Other	90,439	196
	<u>21,258,749</u>	<u>16,654</u>
Share Warrants	2,426	
	<u>21,261,175</u>	

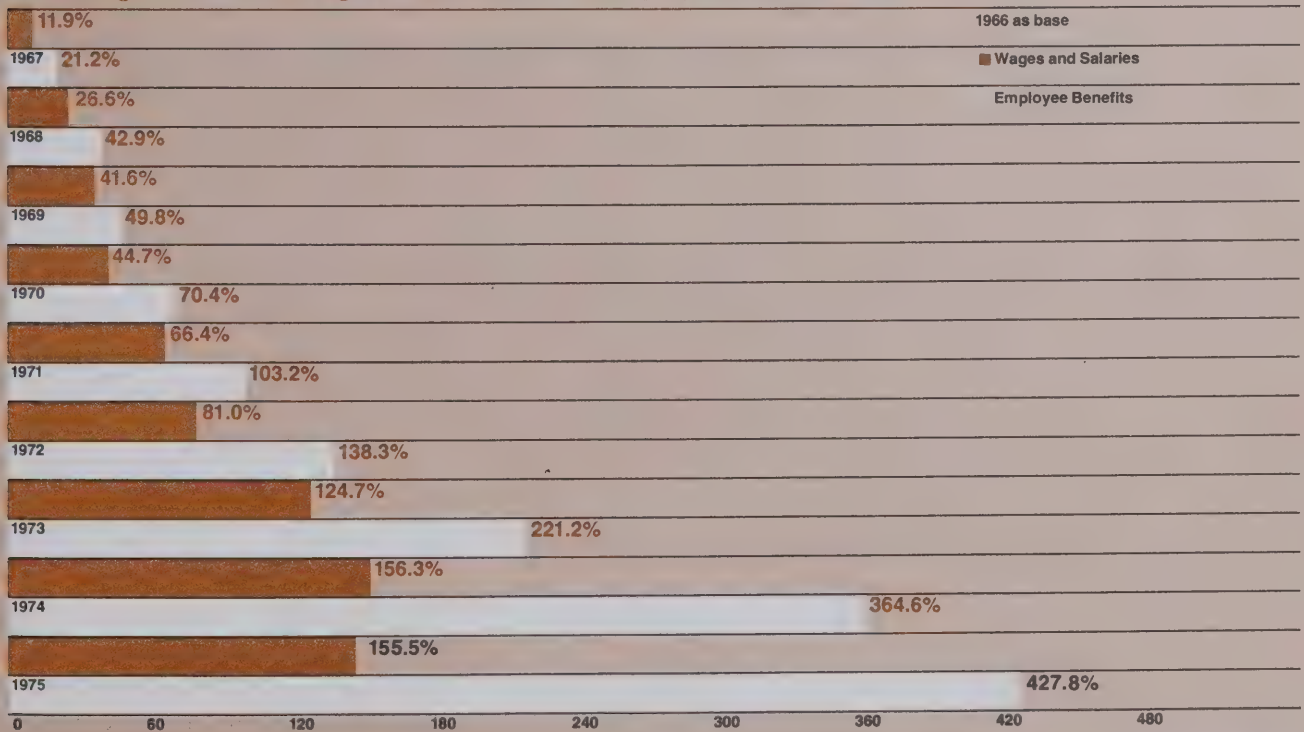
In regard to the share warrants, it is estimated that 75% are held in the U.S.A. and 25% in Canada. The number of holders is not known.



### Percentage Increase of Wages, Salaries and Employee Benefits and Number of Employees 1966-1975



### Percentage Increase of Wages and Salaries and Employee Benefits 1966-1975





## MacMillan Bloedel Limited and Subsidiaries

### Historical Review

<b>Operating</b>	<b>1975</b>	<b>1974</b>	<b>1973</b>
<b>Production</b>			
Logs (M Cu. Ft.)	258,713	326,704	381,319
Lumber (M FBM)	766,542	988,147	1,286,188
Plywood (M Sq. Ft. 3/8")	378,712	409,593	521,040
Shingles (Squares)	106,177	145,794	157,340
Particleboards and waferboards (M Sq. Ft. 3/8")	291,781	208,705	188,959
Specialty boards (M Sq. Ft.)	24,293	30,643	33,720
Newsprint (Short Tons)	960,068	1,197,839	1,296,245
Pulp (Short Tons)	355,096	477,678	454,858
Kraft paper and paperboard (Short Tons)	373,683	374,472	452,440
Fine paper (Short Tons)	27,070	33,367	31,589
Corrugated containers (M Sq. Ft.)	7,636,764	8,768,710	9,593,678
<b>Wages, salaries and employee benefits</b>	<b>\$ 352,733,000</b>	<b>\$ 344,976,000</b>	<b>\$ 290,776,000</b>
<b>Number of employees at end of year</b>	<b>23,206</b>	<b>23,847</b>	<b>24,478</b>
<b>Financial</b>			
<b>Sales and other income</b>	<b>\$1,297,518,000</b>	<b>\$1,398,848,000</b>	<b>\$1,219,242,000</b>
<b>Earnings (loss)</b>			
Amount (including extraordinary items)	\$ (18,943,000)	\$ 72,298,000	\$ 81,752,000
Basic net earnings (loss) per share			
Before extraordinary items	\$ (.89)	\$ 3.41	\$ 3.90
After extraordinary items	\$ (.89)	\$ 3.41	\$ 3.90
Fully diluted net earnings (loss) per share			
Before extraordinary items	\$ (.89)	\$ 3.29	\$ 3.85
After extraordinary items	\$ (.89)	\$ 3.29	\$ 3.85
<b>Depreciation, depletion and amortization</b>	<b>\$ 60,295,000</b>	<b>\$ 58,182,000</b>	<b>\$ 55,476,000</b>
<b>Retained earnings (deficit) for the year</b>	<b>\$ (31,059,000)</b>	<b>\$ 40,400,000</b>	<b>\$ 55,538,000</b>
<b>Basic cash flow</b>	<b>\$ 61,941,000</b>	<b>\$ 131,581,000</b>	<b>\$ 141,782,000</b>
<b>Additions to property, plant and equipment (net)</b>	<b>\$ 75,379,000</b>	<b>\$ 132,734,000</b>	<b>\$ 86,771,000</b>
<b>Percentage of long term debt to total capital employed</b>	<b>35.3</b>	<b>32.7</b>	<b>29.7</b>
<b>Dividends</b>			
Cash—Ordinary shares			
Amount	\$ 13,793,000	\$ 37,125,000	\$ 26,214,000
Per share	\$ .65	\$ 1.75	\$ 1.25
Cash—Preference shares			
Amount	—	—	—
Per share	—	—	—
Stock			
Amount	—	—	—
Per share	—	—	—
<b>Number of shareholders at end of year*</b>	<b>16,654</b>	<b>16,385</b>	<b>17,120</b>

\*Excluding holders of share warrants.

Certain 1974 figures have been restated (see Note 2 to Consolidated Financial Statements).



1972	1971	1970	1969	1968	1967	1966
302,646	338,578	307,920	359,924	310,003	274,677	273,425
1,263,466	1,359,605	1,180,541	1,244,260	1,279,284	1,139,437	1,037,806
499,616	512,377	450,029	534,950	477,728	416,664	406,271
291,893	447,701	420,929	449,837	469,598	443,816	430,852
208,834	196,535	145,078	133,154	81,992	89,905	68,557
30,188	25,331	21,419	22,668	18,235	12,950	7,517
1,222,301	1,216,359	1,093,765	927,868	813,748	832,361	896,361
493,275	489,308	483,059	556,468	546,761	550,245	586,867
442,396	396,618	349,298	455,654	239,285	178,382	174,462
28,912	27,439	27,631	24,331	23,292	20,801	20,043
7,029,314	4,608,275	4,541,820	4,603,282	4,369,452	4,075,932	3,713,726
\$231,405,000	\$210,631,000	\$182,261,000	\$176,072,000	\$158,644,000	\$139,566,000	\$123,580,000
23,136	21,036	20,830	20,595	20,023	18,268	17,919
\$966,495,000	\$778,025,000	\$687,838,000	\$678,785,000	\$619,989,000	\$563,333,000	\$511,773,000
\$ 40,184,000	\$ 25,941,000	\$ 17,870,000	\$ 42,271,000	\$ 38,679,000	\$ 36,663,000	\$ 42,213,000
\$ 1.80	\$ 1.08	\$ .85	\$ 2.02	\$ 1.85	\$ 1.76	\$ 2.02
\$ 1.92	\$ 1.24	\$ .85	\$ 2.02	\$ 1.85	\$ 1.76	\$ 2.02
\$ 1.77	\$ 1.08	\$ .85	\$ 2.02	\$ 1.85	\$ 1.76	\$ 2.02
\$ 1.89	\$ 1.24	\$ .85	\$ 2.02	\$ 1.85	\$ 1.76	\$ 2.02
\$ 49,825,000	\$ 49,994,000	\$ 49,305,000	\$ 48,114,000	\$ 39,891,000	\$ 31,923,000	\$ 29,112,000
\$ 19,230,000	\$ 15,424,000	\$ (3,084,000)	\$ 21,323,000	\$ 17,745,000	\$ 11,557,000	\$ 16,096,000
\$ 90,934,000	\$ 67,850,000	\$ 66,336,000	\$ 95,536,000	\$ 80,403,000	\$ 75,540,000	\$ 91,767,000
\$ 60,865,000	\$ 33,721,000	\$ 47,432,000	\$106,601,000	\$ 78,305,000	\$122,684,000	\$ 91,862,000
33.5	36.7	36.0	36.8	36.9	36.5	34.9
\$ 20,876,000	\$ 10,438,000	\$ 20,876,000	\$ 20,871,000	\$ 20,856,000	\$ 25,027,000	\$ 20,856,000
\$ 1.00	\$ .50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.20	\$ 1.00
\$ 78,000	\$ 78,000	\$ 78,000	\$ 78,000	\$ 78,000	\$ 78,000	\$ 47,000
\$ .03	\$ .03	\$ .03	\$ .03	\$ .03	\$ .03	\$ .03
—	—	—	—	—	—	\$ 5,214,000
—	—	—	—	—	—	\$ .25
19,125	20,124	21,575	22,282	23,751	24,671	24,415



# MacMillan Bloedel Limited and Subsidiaries

## Consolidated Balance Sheet

December 31, 1975

### Assets

	1975	1974*
<b>Current assets:</b>		
Cash .....	\$ 4,983,000	\$ 5,941,000
Short term investments and deposits, at cost which approximates market value .....	18,484,000	16,338,000
Trade and other accounts receivable .....	153,932,000	153,344,000
Income taxes recoverable .....	1,007,000	—
Inventories (Note 3) .....	213,642,000	227,973,000
Prepaid expenses .....	6,337,000	5,369,000
Income tax allocations in respect of future years—current items .....	5,655,000	3,430,000
	<u>404,040,000</u>	<u>412,395,000</u>
<b>Investments and other assets:</b>		
Partly-owned companies (Note 4) .....	76,827,000	77,602,000
Other investments and assets, at cost .....	14,169,000	16,353,000
	<u>90,996,000</u>	<u>93,955,000</u>
<b>Property, plant and equipment:</b>		
Buildings and equipment, at cost (Note 5) .....	1,098,405,000	1,047,433,000
Less: Accumulated depreciation .....	540,168,000	503,253,000
	<u>558,237,000</u>	<u>544,180,000</u>
Timber, at cost less accumulated depletion of \$98,156,000 (1974—\$93,504,000) .....	74,938,000	76,997,000
Logging roads, at cost less amortization (Note 2) .....	27,353,000	25,038,000
Land, at cost .....	14,036,000	13,265,000
	<u>674,564,000</u>	<u>659,480,000</u>
<b>Intangible assets (at cost less amortization):</b>		
Unallocated purchase price of shares in subsidiaries .....	25,334,000	26,001,000
Bond and debenture financing expenses .....	2,805,000	2,133,000
Other .....	164,000	806,000
	<u>28,303,000</u>	<u>28,940,000</u>
	<u>\$1,197,903,000</u>	<u>\$1,194,770,000</u>

\*Certain 1974 figures have been restated (Note 2).

## Liabilities

	1975	1974*
<b>Current liabilities:</b>		
Bank loans and indebtedness .....	\$ 33,983,000	\$ 46,425,000
Notes payable .....	23,447,000	41,385,000
Accounts payable and accrued liabilities .....	144,875,000	129,983,000
Income taxes payable .....	—	61,000
Current portion of long term debt (Note 7) .....	13,742,000	10,316,000
	<u>216,047,000</u>	<u>228,170,000</u>
<b>Long term debt:</b>		
Bonds and debentures (Note 6) .....	325,483,000	299,831,000
Other secured liabilities .....	21,399,000	16,466,000
	<u>346,882,000</u>	<u>316,297,000</u>
<b>Income tax allocations in respect of future years</b> .....	<u>103,596,000</u>	<u>92,975,000</u>
<b>Minority interests in subsidiaries</b> (Note 8) .....	<u>47,970,000</u>	<u>43,882,000</u>
	<u>714,495,000</u>	<u>681,324,000</u>

## Shareholders' Equity

<b>Share capital:</b>		
Ordinary shares without par value (Notes 9, 10 and 14)—		
Authorized —25,000,000 shares		
Outstanding—21,261,175 shares (1974—21,220,175 shares) .....	171,175,000	170,154,000
<b>Retained earnings</b> .....	312,233,000	343,292,000
	<u>483,408,000</u>	<u>513,446,000</u>
<b>Commitments</b> (Notes 8 and 11)		
<b>Subsequent event</b> (Note 6)		
	<u>\$1,197,903,000</u>	<u>\$1,194,770,000</u>

The consolidated financial statements have been approved  
by the Board of Directors:

J. E. Richardson, Director

J. O. Hemmingsen, Director



## MacMillan Bloedel Limited and Subsidiaries

### Consolidated Statement of Earnings

Year ended December 31, 1975

	1975	1974*
<b>Sales and other income:</b>		
Sales of products and services (Note 12(a))	\$1,296,689,000	\$1,396,330,000
Income from investments	3,378,000	3,413,000
Loss on disposal of and provisions for loss with respect to property, plant and equipment and investments and other assets	(2,549,000)	(895,000)
	<u>1,297,518,000</u>	<u>1,398,848,000</u>
<b>Costs and expenses</b> (Notes 12(b), (c) and (d) and 13):		
Cost of sales and services	1,173,995,000	1,171,586,000
Selling, general and administrative	110,687,000	92,833,000
Long term debt interest	24,981,000	16,916,000
Bank and other interest	6,680,000	4,543,000
	<u>1,316,343,000</u>	<u>1,285,878,000</u>
<b>Earnings (loss) before income taxes and other undernoted items</b>	<u>(18,825,000)</u>	<u>112,970,000</u>
<b>Income taxes</b> (Note 12(f)):		
Current	(11,160,000)	43,174,000
Future years	8,396,000	14,867,000
	<u>(2,764,000)</u>	<u>58,041,000</u>
<b>Earnings (loss) before undernoted items</b>	<u>(16,061,000)</u>	<u>54,929,000</u>
<b>Equity in earnings (losses) of partly-owned companies</b>	<u>(3,080,000)</u>	<u>19,098,000</u>
<b>Minority interests in subsidiaries</b>	<u>198,000</u>	<u>(1,729,000)</u>
<b>Net earnings (loss)</b>	<u>\$ (18,943,000)</u>	<u>\$ 72,298,000</u>
<b>Basic net earnings (loss) per ordinary share</b> (Note 12(e))	<u>\$(.89)</u>	<u>\$3.41</u>

\*Certain 1974 figures have been restated (Note 2).

## MacMillan Bloedel Limited and Subsidiaries

### Consolidated Statement of Retained Earnings

Year ended December 31, 1975

	1975	1974
<b>Balance at beginning of year</b>	\$ 343,292,000	\$ 302,892,000
<b>Net earnings (loss)</b>	(18,943,000)	72,298,000
<b>Surplus arising out of shares issued by subsidiary company</b> (Note 8), less charge in 1975 arising from conversion of debentures of a partly-owned company (Note 12(e))	1,677,000	5,227,000
	<u>326,026,000</u>	<u>380,417,000</u>
<b>Dividends — \$.65 per share</b> (\$1.75 per share in 1974)	<u>13,793,000</u>	<u>37,125,000</u>
<b>Balance at end of year</b>	<u>\$ 312,233,000</u>	<u>\$ 343,292,000</u>

# MacMillan Bloedel Limited and Subsidiaries

## Consolidated Statement of Source and Application of Working Capital

Year ended December 31, 1975

	1975	1974*
<b>Source of working capital:</b>		
Earnings—		
Net earnings (loss) .....	\$ (18,943,000)	\$ 72,298,000
Components not affecting working capital (credit items shown in brackets):		
Depreciation, depletion and amortization of logging roads .....	60,295,000	58,182,000
Future years' income taxes—long term portion .....	10,621,000	14,627,000
Equity in (earnings) losses of partly-owned companies .....	3,080,000	(19,098,000)
Loss on disposal of and provisions for loss with respect to property, plant and equipment and investments and other assets .....	2,549,000	895,000
Minority interests in subsidiaries .....	(198,000)	1,729,000
Amortization of intangible assets .....	2,119,000	1,576,000
Dividends received from partly-owned companies .....	2,418,000	1,372,000
	<u>61,941,000</u>	<u>131,581,000</u>
Shares issued (Notes 10 and 14) .....	1,020,000	875,000
Net proceeds of long term debt .....	45,568,000	76,084,000
Equity provided by minority interests in subsidiaries, net (Note 8) .....	8,999,000	4,009,000
Proceeds of disposals of property, plant and equipment .....	7,078,000	3,297,000
Proceeds of disposals of investments and other assets .....	5,287,000	6,981,000
	<u>129,893,000</u>	<u>222,827,000</u>
<b>Application of working capital:</b>		
Additions to property, plant and equipment .....	80,668,000	133,280,000
Acquisition of subsidiaries, less working capital acquired (Note 14) .....	1,267,000	2,557,000
Investments in and advances to partly-owned companies .....	8,808,000	26,759,000
Other investments and other assets .....	2,811,000	5,868,000
Reduction in long term debt—		
Bonds and debentures .....	14,347,000	10,963,000
Other secured liabilities .....	2,196,000	1,894,000
Dividends—		
Shareholders of the company .....	13,793,000	37,125,000
Minority shareholders of subsidiaries .....	2,235,000	1,675,000
	<u>126,125,000</u>	<u>220,121,000</u>
<b>Increase in working capital .....</b>	<b>3,768,000</b>	<b>2,706,000</b>
<b>Working capital at beginning of year .....</b>	<b>184,225,000</b>	<b>181,519,000</b>
<b>Working capital at end of year .....</b>	<b>\$187,993,000</b>	<b>\$184,225,000</b>
<b>Changes in working capital components:</b>		
Increases (decreases) in current assets—		
Cash .....	\$ (958,000)	\$ (1,703,000)
Short term investments and deposits .....	2,146,000	(12,816,000)
Trade and other accounts receivable .....	588,000	9,609,000
Income taxes recoverable .....	1,007,000	—
Inventories .....	(14,331,000)	67,282,000
Prepaid expenses .....	968,000	(156,000)
Income tax allocations in respect of future years—current items .....	2,225,000	(240,000)
	<u>(8,355,000)</u>	<u>61,976,000</u>
Increases (decreases) in current liabilities—		
Bank loans and indebtedness .....	(12,442,000)	35,058,000
Notes payable .....	(17,938,000)	41,386,000
Accounts payable and accrued liabilities .....	14,892,000	17,257,000
Income taxes payable .....	(61,000)	(34,612,000)
Current portion of long term debt .....	3,426,000	181,000
	<u>(12,123,000)</u>	<u>59,270,000</u>
<b>Increase in working capital .....</b>	<b>\$ 3,768,000</b>	<b>\$ 2,706,000</b>

\*Certain 1974 figures have been restated (Note 2).



---

# MacMillan Bloedel Limited and Subsidiaries

## Auditors' Report

To the Shareholders of MacMillan Bloedel Limited:

We have examined the consolidated balance sheet of MacMillan Bloedel Limited and subsidiaries as at December 31, 1975 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on a report of the auditors who have examined the consolidated financial statements of Koninklijke Nederlandse Papierfabrieken N.V., a partly-owned company accounted for by the equity method.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to a change, which we approve, in the method of accounting for logging roads as explained in Note 2, on a basis consistent with that of the preceding year. In accordance with Section 212 of the British Columbia Companies Act we report that, in our opinion, due provision has been made for minority interests.

March 1, 1976  
Vancouver, B.C.

PRICE WATERHOUSE & CO.  
Chartered Accountants

## Notes to Consolidated Financial Statements

December 31, 1975

### 1. Accounting policies:

The following accounting policies used by the company are stated here to assist in understanding the consolidated financial statements.

#### (a) Principles of consolidation —

The accompanying financial statements represent the consolidation of the financial statements of the company and all its subsidiaries except Embrasca-Empreendimentos Florestais e Agrícolas Ltda. and its subsidiaries. The company owns 51% of the voting shares of Embrasca but the terms of a shareholders' agreement make it inappropriate to consolidate the corporation and its subsidiaries. Instead the financial results of their operations are recorded under the equity method of accounting (see Note 1(d) below).

#### (b) Foreign currency translations —

The company conducts a large portion of its business in foreign markets and has substantial amounts of assets and liabilities denominated in foreign currencies which, where applicable, are translated into Canadian dollars at rates related to forward exchange contracts. Where not covered by such contracts, current assets and current liabilities are translated at the rates of exchange in effect as at the balance sheet dates, other assets (and related depreciation, depletion and amortization) and liabilities at the rates in effect at the dates on which the assets were acquired or the liabilities were incurred, and items affecting net earnings (other than inventories, depreciation, depletion and amortization) at the average rates for the year. Net balances arising from the translation of foreign currencies are included in consolidated net earnings.

#### (c) Valuation of inventories —

Inventories of logs, pulp chips, pulpwood and cordwood, and substantially all operating and maintenance supplies are valued at the lower of average cost and replacement cost. Inventories of manufactured products are valued principally at the lower of average cost and net realizable value.

#### (d) Accounting for partly-owned companies —

Partly-owned companies are those companies for which the equity method of accounting is appropriate. As a result, the company's share of the net earnings of the partly-owned companies, net of applicable income taxes, is included in consolidated net earnings whether or not such earnings have been distributed currently by way of dividends. In computing the company's equity in the earnings of foreign partly-owned companies, their financial statements are adjusted where necessary in order to conform with generally accepted accounting principles in Canada.

#### (e) Property, plant and equipment and accumulated depreciation and depletion and amortization of logging roads —

The costs of spur roads (Note 2), maintenance, repairs and minor renewals or replacements are charged to cost of sales and services or other expenses. The costs of major replacements, extensions and improvements are capitalized in the property, plant and equipment accounts. On retirement or disposal of property, plant and equipment, the costs thereof and the related accumulated depreciation, depletion or amortization are eliminated from the accounts and any gains or losses are reflected in the consolidated statement of earnings.

## 1. Accounting policies: (continued)

Depreciation is computed on a straight-line basis on original cost; depletion of timber and amortization of main logging roads (Note 2) are determined on a basis related to log production. Amortization of main logging roads is deducted from the asset account.

Rates of depreciation by principal asset classification are as follows—

Buildings .....	2½ % and 5%
Pulp and paper mill machinery and equipment .....	5%
Logging machinery and equipment .....	15%
Other manufacturing machinery and equipment .....	7½ %
Ships, tugs, barges and scows .....	7½ %

### (f) Intangible assets —

The unallocated purchase price of shares in subsidiaries, which represents the excess of the purchase price over the values attributed to the underlying net tangible assets at dates of acquisition, is amortized on a straight-line basis over appropriate periods. All of the unallocated purchase price is currently being amortized over forty years.

Amortization of bond and debenture financing expenses is computed on a basis related to the principal amounts outstanding. Other intangible assets are being amortized at appropriate straight-line rates.

### (g) Income taxes —

The company records income taxes on the tax allocation basis recommended by the Canadian Institute of Chartered Accountants. Each year, income taxes currently payable may differ from total income tax expenses of the year as a result of timing differences between the recognition of income and expenditures for accounting and tax purposes. Such differences most frequently result from depreciation being claimed for income tax purposes in amounts differing from depreciation recorded for accounting purposes and from charges to earnings in a year of items which will only be deductible for tax purposes in future years.

Any tax expense which results from a given year's operations but the payment of which is, in effect, deferred to future years is charged against that year's earnings but is recorded on the balance sheet in accounts designated "Income tax allocations in respect of future years". Similarly, tax reductions arising out of a given year's transactions but which will not actually reduce income taxes payable until future years are credited to earnings on a current basis but they too are recorded in the balance sheet in income tax allocations accounts. Such accounts are classified as current if they arise from transactions relating to current assets or liabilities, or non-current if they arise from other types of transactions.

At such time as these future years' taxes become payable or the reductions become effective, transfers are made from these accounts and are credited or charged as the case may be to the consolidated statement of earnings. Thus the future years' income tax item in the consolidated statement of earnings is frequently a composite of charges and credits and hence may be a net charge in some years and a net credit in others.

A provision with respect to withholding taxes applicable to the company's share of the net earnings of foreign subsidiaries and partly-owned companies has been charged to consolidated net earnings; withholding taxes are provided in respect of the entire share of net earnings of foreign partly-owned companies but are provided only on that portion of the share of foreign subsidiaries' net earnings which is not expected to be reinvested indefinitely by the subsidiaries.

Investment tax credits are deducted from current and future years' income tax provisions on a basis related to earnings before income taxes for the year.

### (h) Voyage accounting (see also Note 12(c)) —

The completed voyage method is used in accounting for ocean voyages. Under this method, the net amount of revenues and expenses relating to voyages in progress is carried forward on the balance sheet until the completion of a voyage, at which time, all revenues and expenses of that voyage are transferred to the statement of earnings. Where, however, aggregate net losses are estimated to result from voyages in progress as of the end of an accounting period, provision is made for such losses. The company also provides currently for net losses expected to be incurred on voyages not started but for which the rates and other terms of charter hire expense and freight revenue are contracted by the end of an accounting period.

Subcharter revenue and charter hire expense are included in earnings as the subcharter revenue is earned and the expense is incurred. Where, however, it is determined that aggregate charter hire expenses on vessels subchartered prior to the end of an accounting period will exceed subcharter revenues over the period of the subcharter, provision is made for such losses.

### (i) Pension costs (see also Note 13) —

Normal pension cost accruals are made on the basis of annual reviews of the position of the company's various pension plans and other retirement arrangements. Additionally, pension plan surpluses and deficits derived from periodic actuarial estimates are amortized to earnings over appropriate periods.

### (j) Research, development and pre-operating expenses —

All such expenses are charged against consolidated net earnings as incurred.



## Notes to Consolidated Financial Statements (continued)

### 2. Accounting change:

The company has changed its method of accounting for the cost of spur logging roads in British Columbia. Under the new policy, the cost of these roads is charged to cost of sales as incurred; previously, such costs were capitalized and amortized to net earnings on a basis related to log production. Main logging roads continue to be capitalized and amortized on this latter basis.

Under present logging practices, and with particular reference to the impact on such practices of the new British Columbia Forest Service logging guidelines, expenditures on spur logging roads have increased materially in recent years while their period of utilization has decreased. The accounting change was considered necessary therefore to reflect a more realistic allocation of costs to fiscal periods. As the company made a general provision in 1974 of \$2,400,000 (after income taxes and inventory effect) to reflect the potential impact of the guidelines, the accounting policy has been applied retroactively to that year. Thus, consolidated net earnings for 1974 remain unchanged although a number of other amounts in the consolidated financial statements for that year have been restated.

The effect of applying the new policy in 1975 has been to increase consolidated net loss for the year by \$4,600,000 (\$.22 per share).

### 3. Inventories:

	December 31	
	1975	1974*
Logs, pulp chips, pulpwood and cordwood .....	\$ 75,591,000	\$ 73,923,000
Operating and maintenance supplies .....	27,092,000	26,884,000
Lumber, plywood and other building materials .....	67,646,000	86,546,000
Pulp and paper products .....	37,795,000	35,255,000
Packaging products .....	5,518,000	5,365,000
	<u>\$213,642,000</u>	<u>\$227,973,000</u>

\*Restated (Note 2).

### 4. Partly-owned companies:

	December 31	
	1975	1974
Investments in shares, at cost .....	\$ 48,501,000	\$ 46,743,000
Accumulated equity in earnings since acquisition, less dividends received .....	20,110,000	26,409,000
Advances .....	8,216,000	4,450,000
	<u>\$ 76,827,000</u>	<u>\$ 77,602,000</u>

The principal investments at December 31, 1975 and 1974 are in Koninklijke Nederlandse Papierfabrieken N.V. and subsidiaries and La Cellulose d'Aquitaine S.A. and subsidiaries.

The excess of the cost of investments in partly-owned companies over the company's interests in the underlying net book value of their assets at dates of purchase has been attributed to property, plant and equipment and intangible assets and is being depreciated or amortized at appropriate straight-line rates. The unamortized excess at December 31, 1975 amounted to \$5,075,000.

### 5. Buildings and equipment:

	Cost	Accumulated depreciation	Net
December 31, 1975—			
Pulp and paper mills .....	\$ 683,138,000	\$346,269,000	\$336,869,000
Sawmills, plywood mills and other building materials plants .....	160,769,000	83,073,000	77,696,000
Logging buildings and equipment .....	115,689,000	60,724,000	54,965,000
Packaging plants .....	85,301,000	31,774,000	53,527,000
Other buildings and equipment .....	53,508,000	18,328,000	35,180,000
	<u>\$1,098,405,000</u>	<u>\$540,168,000</u>	<u>\$558,237,000</u>
December 31, 1974—			
Pulp and paper mills .....	\$ 646,505,000	\$330,160,000	\$316,345,000
Sawmills, plywood mills and other building materials plants .....	151,998,000	74,959,000	77,039,000
Logging buildings and equipment .....	109,054,000	53,321,000	55,733,000
Packaging plants .....	83,613,000	27,803,000	55,810,000
Other buildings and equipment .....	56,263,000	17,010,000	39,253,000
	<u>\$1,047,433,000</u>	<u>\$503,253,000</u>	<u>\$544,180,000</u>

The company's principal plant facilities in Alabama and its head office building in British Columbia are held under long term leases containing provisions which indicate that the assets should be accounted for on a basis of ownership. Consequently, the cost of these leased assets, aggregating \$91,674,000 (1974—\$91,545,000), and related depreciation and long term debt are included in the accompanying financial statements.

## 6. Bonds and debentures:

	December 31	
	1975	1974
<b>MacMillan Bloedel Limited—</b>		
4.95% * sinking fund debentures, Series A, maturing October 1, 1990 (U.S. \$31,500,000) .....	\$ 33,840,000	\$ 36,096,000
5½% * ten-year term debentures, Series B, maturing January 3, 1976 .....	50,000,000	50,000,000
6½% sinking fund debentures, Series C, maturing July 15, 1992 (U.S. \$23,920,000) ..	25,777,000	26,647,000
7½% debentures, Series D, maturing May 15, 1978 .....	10,000,000	10,000,000
8½% sinking fund debentures, Series E, maturing May 15, 1991 .....	20,000,000	20,000,000
8¾% sinking fund debentures, Series F, maturing July 1, 1994 (U.S. \$75,000,000) ....	72,399,000	72,399,000
11¼% sinking fund debentures, Series G, maturing January 15, 1995 .....	40,000,000	—
8½% subordinated convertible debentures, maturing December 20, 1984 (U.S. \$2,098,000) (Note 9) .....	2,075,000	3,336,000
	<u>254,091,000</u>	<u>218,478,000</u>
<b>MacMillan Bloedel Inc.**—</b>		
4.10% industrial development revenue bonds, maturing June 1, 1975 .....	—	758,000
4¾% sinking fund industrial development revenue bonds, maturing June 1, 1988 (U.S. \$51,715,000) .....	55,594,000	57,561,000
	<u>55,594,000</u>	<u>58,319,000</u>
<b>MacMillan Rothesay Limited—</b>		
6% first mortgage and collateral sinking fund bonds, Series A, maturing March 1, 1985 (U.S. \$8,360,000) .....	8,987,000	9,879,000
6¾% general mortgage sinking fund bonds, Series A, maturing October 1, 1985 .....	6,730,000	6,755,000
7½% debenture certificate, due December 31, 1979 .....	23,000	23,000
	<u>15,740,000</u>	<u>16,657,000</u>
<b>MacMillan Bloedel Industries Limited—</b>		
Sinking fund debentures:		
5½% twenty-year debentures, Series A, maturing May 15, 1978 .....	4,109,000	4,200,000
4¾% twenty-year debentures, Series B, maturing May 15, 1978 (U.S. \$2,000,000) ..	1,924,000	2,550,000
	<u>6,033,000</u>	<u>6,750,000</u>
<b>Lee Timber Products Inc.***—</b>		
5½% first mortgage industrial revenue bonds, maturing August 1, 1976 (U.S. \$4,000,000) .....	3,980,000	3,980,000
<b>Burnaby Paperboard Ltd.—</b>		
First mortgage and collateral trust bonds:		
1955 Series—4½% sinking fund bonds, maturing September 1, 1975 .....	—	2,552,000
1958 Series—5¾% sinking fund bonds, maturing May 15, 1978 .....	1,119,000	1,155,000
	<u>1,119,000</u>	<u>3,707,000</u>
<b>Kingsway Lumber Co. Limited—</b>		
6¾% sinking fund debentures:		
Series A, maturing December 15, 1982 .....	425,000	466,000
Series B, maturing February 1, 1985 .....	413,000	456,000
	<u>838,000</u>	<u>922,000</u>
	<u>337,395,000</u>	<u>308,813,000</u>
Less: Payments due within one year, before adjustment to current rate of exchange (Notes 1(b) and 7) .....	11,912,000	8,982,000
	<u>\$325,483,000</u>	<u>\$299,831,000</u>

\*See comments in last paragraph of this note.

\*\*These industrial development revenue bonds are direct obligations of The Industrial Development Board of the Town of Camden, Alabama (see Note 5).

\*\*\*These industrial revenue bonds are direct obligations of The Industrial Development Board of the City of Opelika, Alabama (see Note 5).

Bonds and debentures repayable in U.S. currency at December 31, 1975 aggregating \$198,593,000 have been translated into Canadian dollars at appropriate current and historical exchange rates (Note 1(b)). On the basis of exchange rates in effect at December 31, 1975 there were unrealized gains on foreign exchange of approximately \$2,600,000 which have not been recognized in the accompanying consolidated financial statements.

The majority of the companies' assets are pledged by fixed and floating charges as security for the bonds, debentures and other secured liabilities outstanding. The principal trust indenture and supplementals thereto securing the company's debentures contain provisions restricting the payment of dividends. At December 31, 1975, approximately \$10,000,000 of consolidated retained earnings could be used for payment of dividends under the most restrictive of these provisions.



## Notes to Consolidated Financial Statements (continued)

### 6. Bonds and debentures: (continued)

The company has agreed to pay to each holder of 4.95% debentures, Series A, and 5½% debentures, Series B, extra interest of ½ of 1% per annum from January 1, 1975 in return for the consent of such holders to certain modifications in the trust indenture securing such debentures. On January 3, 1976 the company issued \$50,000,000 of Series H debentures, maturing January 3, 1984, to the holder of the 5½% Series B debentures. The proceeds were applied immediately to retire the Series B debentures which were due on that date. As a result, the Series B debentures have been excluded from current liabilities as at December 31, 1975. Interest on the Series H debentures is at a rate of 1¼% above the minimum lending rate charged from time to time by a Canadian Chartered Bank (such rate being 9¾% at December 31, 1975).

### 7. Payments on long term debt:

Payments on long term debt required for each of the five years after December 31, 1975 are as follows—

	Bonds and debentures	Other secured liabilities	Total
1976 (after adjustment to current rate of exchange—Notes 1(b) and 6) .....	\$11,697,000*	\$2,045,000	\$13,742,000
1977 .....	11,486,000*	3,065,000	14,551,000
1978 .....	23,859,000	1,975,000	25,834,000
1979 .....	14,574,000	1,124,000	15,698,000
1980 .....	14,712,000	1,078,000	15,790,000

\*Net of purchases and cancellation of bonds and debentures up to December 31, 1975.

### 8. Minority interests in subsidiaries:

	December 31	
	1975	1974
Preference shareholders .....	\$25,241,000	\$30,241,000
Common shareholders .....	22,729,000	13,641,000
	<u>\$47,970,000</u>	<u>\$43,882,000</u>

The minority interest of preference shareholders includes \$25,000,000 (1974 — \$30,000,000 4% cumulative redeemable preference shares) of MacMillan Rothesay Limited 6.75% cumulative redeemable preference shares. MacMillan Bloedel Limited has undertaken to purchase these shares or otherwise effect their redemption by June 30, 1978 and to ensure that dividends on these shares are declared and paid on their due dates.

In July, 1974 MacMillan Rothesay Limited entered into agreements with Spanish interests whereby it agreed to issue common shares equivalent to a 35% interest. The sale of the shares was completed in two parts, on July 31, 1974 and January 31, 1975. The excess of the proceeds on the dispositions of the interests represented by the shares issued on each of these dates over the company's underlying equity therein, has been treated as contributed surplus and has been credited directly to consolidated retained earnings.

### 9. Share capital:

The company has reserved 69,933 authorized but unissued ordinary shares for possible issue in exchange for the U.S. \$2,098,000 8½% subordinated convertible debentures maturing December 20, 1984. These debentures were issued by the company on December 20, 1974 in connection with the acquisition of a minority share interest in Industrial-America Corporation. The agreement relating to the acquisition provided that U.S. \$1,275,000 of the debentures would be held in escrow pending the outcome of certain events following the acquisition. During 1975, the escrowed debentures were returned to the company for cancellation pursuant to the agreement. The remaining outstanding debentures are convertible at any time prior to December 21, 1979 at the option of the holders into ordinary shares of the company at the rate of 33⅓ ordinary shares for each U.S. \$1,000 face value of debentures.

### 10. Stock options:

Under the company's stock option plan, options for ordinary shares may be granted to key employees, exercisable by dates fixed by the Board of Directors, at share prices equal to at least 90% of the closing price on the Vancouver Stock Exchange on the last business day before the options were granted. Options to certain key employees, amounting in aggregate to 128,500 shares at \$20.30 per share and expiring October 7, 1979, were outstanding at December 31, 1975. Options for 1,000 shares were exercised during the year and the shares issued for \$20,300.

## 11. Commitments:

The company and its subsidiaries are committed in respect of the following—

(a) Commitments, excluding potential escalation geared to future operating costs which are not yet determinable, under ship charters and rentals under non-cancellable leases having an initial term of more than one year (reduced by sublease rentals of approximately \$640,000) as follows—

	Ship charters	Leases	Total
1976 .....	\$ 67,690,000	\$ 5,585,000	\$ 73,275,000
1977 .....	62,503,000	4,077,000	66,580,000
1978 .....	43,152,000	3,129,000	46,281,000
1979 .....	32,664,000	2,616,000	35,280,000
1980 .....	22,890,000	1,694,000	24,584,000
1981-85 .....	95,229,000	5,129,000	100,358,000
1986-90 .....	—	2,284,000	2,284,000
1991-95 .....	—	1,733,000	1,733,000
Subsequent to 1995 .....	—	4,951,000	4,951,000
	<u>\$324,128,000</u>	<u>\$31,198,000</u>	<u>\$355,326,000</u>

Ship charter commitments above do not include charter commitments of approximately \$27,677,000 payable in 1976 and 1977 which, at December 31, 1975, were covered by a combination of subcharters and freight contracts together with provisions for estimated losses (see Note 12(c)).

As at December 31, 1974 the company had entered into agreements for the charter of two large vessels for periods of 15 years each following their construction and delivery. As a result of negotiations conducted during 1975 this commitment was replaced by agreements to charter four large vessels for periods of 8 years each following their construction and delivery in 1976 and 1977. Charter commitments of approximately \$171,000,000 as at December 31, 1975 are included in the above table.

In the majority of cases, the ship charter commitments above include components to cover the costs of manning and other operating expenses (but not fuel), as well as bare boat and owners' profit components. In the event of lay up of certain of the ships under charter, the commitments could be reduced by an estimated \$36,000,000. Substantially all of the ship charter commitments are payable in foreign currencies and have been translated into Canadian dollars at exchange rates prevailing at December 31, 1975. Where charter hire is payable in U.S. dollars the commitments are regarded as automatically hedged by expected cash inflows in that currency arising from future sales of products and services. With respect to commitments in other foreign currencies it is the company's policy to enter into forward exchange contracts at such times as the net cost thereof appears in the opinion of the company to be favourable.

As at December 31, 1975 many of the company's ship charters are at rates above those prevailing in the spot charter market at that date.

(b) The acquisition of timber in Alabama under long term cutting contracts requiring minimum annual payments (extending in some cases to the year 2033); payments of approximately \$2,535,000 are required in each of the next five years and in diminishing amounts thereafter.

## 12. Earnings statement supplementary information:

(a) Sales include the sales of products purchased from other manufacturers on which the margin of gross profit realized by the company is less than that realized on the sales of its own manufactured products.

(b) Costs and expenses include the following—

	Year ended December 31	
	1975	1974
Depreciation .....	\$49,386,000	\$44,979,000
Depletion .....	5,005,000	5,316,000
Amortization of main logging roads (Note 2) .....	5,904,000	7,887,000
	<u>\$60,295,000</u>	<u>\$58,182,000</u>
Rental expense on leases of more than one month, and time charter* hire including \$40,600,000 (1974—\$27,200,000) being estimated manning and other operating costs, less sublease and subcharter revenue of \$51,436,000 (1974—\$44,238,000) included with sales and other income in the statement of earnings .....	<u>\$73,789,000</u>	<u>\$36,696,000</u>

\*Time charters represent all charters except single voyage spot charters.



## Notes to Consolidated Financial Statements (continued)

### 12. Earnings statement supplementary information: (continued)

(c) Cost of sales and services for the year ended December 31, 1975 includes aggregate provisions of \$8,400,000 in respect of estimated losses on voyages and subcharters which will not be completed until periods subsequent to that date (see Note 1(h)).

(d) Selling, general and administrative expenses include remuneration paid to the directors and senior officers of the company aggregating \$2,255,000 (1974—\$2,085,000).

(e) The company has U.S. \$2,098,000 of convertible debentures outstanding and unexercised options for 128,500 ordinary shares at December 31, 1975. In addition, a major partly-owned company, Koninklijke Nederlandse Papierfabrieken N.V., has debentures outstanding which are convertible at the holders' option into common shares of that company. Neither the conversion of debentures nor the exercise of stock options would have had a material effect on earnings per share had these actions taken place during 1975.

Had the debentures of Koninklijke Nederlandse Papierfabrieken N.V. been converted at the beginning of 1974, the company's equity in earnings of partly-owned companies would have been reduced by \$2,560,000 (\$.12 per share) for that year. The cumulative effect of such conversions would have been to decrease consolidated retained earnings at December 31, 1974 by \$4,800,000 (1975—\$3,700,000). Actual conversions made during 1975 have resulted in a charge of \$801,000 to the consolidated statement of retained earnings for the year.

(f) United States investment tax credits of \$1,600,000 were deducted from United States income tax provisions in 1975 (\$800,000 in 1974). Further investment credits of \$1,200,000 are available to reduce income tax provisions in future years.

Canadian investment tax credits (which commenced in 1975) of \$326,000 were deducted from Canadian tax provisions, and further credits of \$820,000 are available to reduce income tax provisions in future years. Canadian investment tax credits reduce the value of the related assets for income tax purposes; United States credits do not.

In 1974, current and future years' income taxes were reduced by \$3,500,000 as a result of manufacturing and processing industry corporate tax rate reductions available in Canada. In contrast, the lower tax rate resulted in smaller income tax recoveries being recorded in 1975. The amount of such reductions totalled \$454,000.

In addition to investment tax credits, certain subsidiary companies have losses aggregating \$10,280,000 available for carry forward to reduce income taxes which may become payable in future years. The potential tax benefit of these losses has not been reflected in these financial statements.

### 13. Pension plans:

The company has a number of contributory and non-contributory pension plans, participation in which is available to substantially all employees after one or two years' continuous service. Additionally, the company has agreements with a number of its officers and executives (including some now retired) which call for payments to be made under certain conditions following retirement. Pension and retirement benefits are determined as a function of service and earnings.

On the basis of current estimates, the value of pension benefits for all plans and the liability for unfunded agreements as of December 31, 1975 were estimated to exceed the total of the pension fund assets and the balance sheet accruals by approximately \$11,500,000. This deficiency, which has occurred due to strong inflationary pressures through 1974 and 1975 combined with reduced market values of securities and from certain plan changes, is being amortized, as appropriate, over a five year period. The total expense for the above plans and agreements (including amortization of the deficiency) amounted to \$20,170,000 for the year ended December 31, 1975 (\$13,690,000 for the year ended December 31, 1974).

The company also contributes to a number of governmental pension plans covering its employees in various countries. The pension expense of these plans amounted to \$5,146,000 for the year ended December 31, 1975 (1974—\$4,600,000).

### 14. Acquisitions:

During the year the company acquired the following consolidated subsidiaries. In each case, the transaction was accounted for by the purchase method and the results of operations have been consolidated from the effective dates of acquisition.

Name	Description	% Interest	Effective date of acquisition
Habitant Shops, Inc. and Habitant Sales Corporation	Fencing, specialty building materials—Michigan	100	September 1
Robert S. Osgood, Inc.	Distributor of hardwoods—California	51	June 1
Unidrug Systems Inc. and subsidiaries	Computer services to pharmacists	80	January 1

Habitant Shops, Inc. and Habitant Sales Corporation were acquired through the issue of 40,000 ordinary shares (aggregating .2% of ordinary shares outstanding at December 31, 1975), at an agreed consideration of \$1,000,000. The other businesses were acquired for an aggregate cash consideration of \$1,122,000. Consolidated sales and net earnings were not appreciably affected by these acquisitions.

---

## 15. Anti-inflation Programme:

The company and certain of its subsidiaries are subject to controls on prices, profits, compensation and dividends instituted by the Government of Canada in the Anti-Inflation Act effective October 14, 1975. At this time there are a number of general uncertainties concerning the programme so that its impact on the company's current and future operations cannot be accurately determined. However, the company has used its best efforts to comply with the Act and the regulations issued under the Act since their release.

## 16. Subsidiary companies:

### Active

#### Canada

Canadian Transport (Europe) Limited  
Forest Industries Flying Tankers Limited  
Forest Transport Limited  
Kingcome Navigation Company Limited  
Kingsway Lumber Co. Limited  
R. Laidlaw Lumber Co. Limited  
MacMillan Bloedel (Alberni) Limited  
MacMillan Bloedel Building Limited  
MacMillan Bloedel Building Materials (B.C.) Limited  
MacMillan Bloedel Building Materials Limited  
MacMillan Bloedel Building Materials (Supply) Ltd.  
MacMillan Bloedel Industries Limited  
MacMillan Bloedel Packaging Limited  
MacMillan Bloedel Properties Limited  
MacMillan Bloedel (Quebec) Limited  
MacMillan Bloedel Research Limited  
MacMillan Bloedel (Saskatchewan) Limited  
MacMillan Jardine (North America) Ltd.  
MacMillan Rothesay Limited  
Martin Paper Bags Ltd.  
Multiply Plywoods Limited  
National Paper Box Limited  
Unidrug Systems Inc.  
Vancouver Island Stevedoring Co. Ltd.  
Vancouver Marine Engines Ltd.  
West Coast Transport Company Limited

#### United States

Atlantic Forest Products Inc.  
Canadian Gulf Lines Inc.  
Canadian Transport (N.Y.) Inc.  
Fibres International, Inc.  
Habitant Sales Corporation  
Habitant Shops, Inc.  
Lee Timber Products, Inc.  
MacMillan Bloedel (Alabama) Inc.  
MacMillan Bloedel Containers Inc.  
MacMillan Bloedel Enterprises, Inc.  
MacMillan Bloedel Export Inc.  
MacMillan Bloedel Inc.  
MacMillan Bloedel (New York) Inc.  
MacMillan Bloedel Particleboard Inc.  
MacMillan Bloedel Sales Inc.

### Inactive (including holding companies not carrying on active operations)

Alberni Pacific Lumber Company Limited  
Allied Paper Products Ltd.  
Alpa Products Ltd.  
Alsto Distributors (Calgary) Ltd.  
Alsto Distributors Limited  
B.N.P. Airways Limited  
Burnaby Paperboard Ltd.  
C. & G. Timberland Management Limited  
Canadian White Pine Co. Limited  
Canadian Transport Limited  
Canal Lumber Co. Ltd.  
Coast Research Associates Limited  
E. L. Bruce Company, Limited  
Elton Logging Company Limited  
Hamilton Logging Ltd.  
Harmac Ltd.  
Island Paper Mills Limited  
Kelley Spruce Ltd.  
Laico Limited  
MacMillan Bloedel (Alberta) Limited  
MacMillan, Bloedel and Powell River (Edmonton) Limited  
MacMillan Bloedel Enterprises Ltd.  
MacMillan Bloedel Export Sales Ltd.  
MacMillan Bloedel (Manitoba) Limited  
MacMillan Bloedel (Ontario) Limited  
MacMillan Bloedel Sales Limited  
Northwest Bay Logging Company Limited  
Northwest Cedar Products Limited  
Powell River-Alberni Sales Limited  
Powell River Co. Ltd.  
Rothesay Paper Holdings Ltd.  
Rothesay Paper Limited  
Rothesay Shipping Ltd.  
Salmon River Logging Company Limited  
Squamish Valley Timber Ltd.  
The Shawnigan Lake Lumber Company Limited  
Unidrug Research & Development Ltd.  
Unidrug Systems (Eastern) Ltd.  
Victoria Lumber Company Limited

AFP Corporation  
Canadian Gulf Line of Florida, Inc.  
MacMillan Bloedel Investment Inc.  
MacMillan Bloedel Radio System, Inc.  
MB Subsidiary 74 Inc.  
MacMillan Bloedel Timberlands Inc.  
MacMillan Bloedel (USA) Inc.  
The Alberni Paper Company, Inc.  
The Hankins Container Company



---

## Notes to Consolidated Financial Statements (continued)

### 16. Subsidiary companies: (continued)

#### Active

##### United States (continued)

Robert S. Osgood, Inc.  
Powell River-Alberni Sales Corporation  
Star Terminal Company, Incorporated  
States Navigation Corporation  
Urban Fiber Industries, Incorporated  
Walpole Woodworkers, Inc.

##### United Kingdom

Canadian Transport (Terminals) Limited  
MacMillan Bloedel Containers Limited  
MacMillan Bloedel Meyer Limited  
MacMillan Bloedel Meyer (Terminals) Limited  
MacMillan Bloedel Panelboard Agencies Limited  
MacMillan Bloedel Pulp and Paper Sales Limited  
Scotpack Limited

#### Other

Altair Limited\*  
Canadian Transport Company Pty. Limited  
Comfloresta-Companhia Catarinense de  
Empreendimentos Florestais\*\*\*  
Embrasca-Empreendimentos Florestais e  
Agrícolas Ltda.\*\*\*  
Florida Lines, Limited  
Fortrans N.V.  
Island Risk Management Limited  
MacMillan Bloedel Europe B.V.\*\*  
MacMillan Bloedel Pty. Limited  
MacMillan Jardine (Japan) Limited  
MacMillan Jardine Limited  
MacMillan Jardine (Malaysia) Sdn. Bhd.  
MacMillan Jardine (South East Asia) Limited  
Mats Janson & Co. AB  
Swedish Gulf Line, AB

**Inactive** (including holding companies  
not carrying on active operations)

Cooks Corrugated Cases Limited  
Hygrade Corrugated Cases Limited

Canadian Maas River Investment N.V.  
Canadian Transport (Bermuda) Limited  
Canadian Transport (Orient) Limited  
Companhia-Colonizadora do Ariry\*\*\*  
MacMillan Bloedel European Holdings B.V.\*\*  
MacMillan Bloedel Holdings S.A.  
Transcamp Limited

\*November 30 year end for fiscal purposes.

\*\*February 28 year end for fiscal purposes.

\*\*\*These companies are accounted for by the equity method (see Note 1(a)).

# MacMillan Bloedel Limited

Head Office: 1075 West Georgia Street, Vancouver, B.C. V6E 3R9

## Operations, Sales Offices and Distribution Centres

### Logging Operations, B.C.

Alliford Bay  
Ash  
Cameron  
Chemainus  
Cous  
Dinan Bay  
Estevan  
Eve River  
Franklin River  
Gilford Island  
Hecate  
Jervis Inlet  
Juskatla  
Kelsey Bay  
Kennedy Lake  
Kitimat  
Knight Inlet  
Menzie's Bay  
Misery Creek  
Northwest Bay  
Phillips Arm  
Port Hardy  
Port McNeill  
Powell Lake  
St. Vincent Bay  
Sarita River  
Shawnigan  
Skidegate  
Sombrio Point  
Squamish  
Stillwater  
Taylor  
Theodosia  
Tofino  
Turnour Island  
Wilson Creek

### Wood Preserving

New Westminster, B.C.

### Lumber

Chemainus, B.C.  
Harmac, B.C.  
New Westminster, B.C.  
Opelika, Alabama  
Pine Hill, Alabama  
Port Alberni, B.C.  
Powell River, B.C.  
Vancouver, B.C.

### Plywood

Nipigon, Ontario  
Pine Hill, Alabama  
Port Alberni, B.C.  
Vancouver, B.C.

### ASPENITE\* Panels

Hudson Bay, Saskatchewan  
Thunder Bay, Ontario

\*Registered Trade Mark of  
MacMillan Bloedel Limited

### Particleboard

Pine Hill, Alabama  
Vancouver, B.C.

### Wood Products Specialties

#### Canada

New Westminster, B.C.  
Lumber Specialties  
Port Alberni, B.C.  
Shingles  
Lumber Specialties  
Toronto, Ontario  
Mouldings  
Roof Trusses  
Vancouver, B.C.  
Panelboard Specialties  
Pres-to-logs

### United States

Chester, Maine  
Detroit, Maine  
Walpole, Mass.  
Wood Fencing, Garden Furniture  
and Utility Buildings

Edenton, N.C.  
Wood Fencing and Lumber  
Specialties

Alpena, Mich.  
Gladstone, Mich.  
Stephenson, Mich.  
Wood Fencing

### Newsprint and Groundwood Papers

Port Alberni, B.C.  
Powell River, B.C.  
Saint John, N.B.

### Pulp

Harmac, B.C.  
Bleached Sulphate  
Semi-bleached Sulphate  
Port Alberni, B.C.  
Unbleached Sulphate  
Powell River, B.C.  
Semi-bleached Sulphate

### Other Paper and Board Products

New Westminster, B.C.  
Fine Papers  
Pine Hill, Alabama  
Linerboard  
Port Alberni, B.C.  
Linerboard  
Bellevue, Wash.  
Secondary Fibres

### Corrugated Containers

#### Canada

Winnipeg, Man.  
Regina, Sask.  
Edmonton, Alta.  
Calgary, Alta.  
New Westminster, B.C.

### United Kingdom

Carnoustie, Angus  
Hatfield, Herts.  
Irvine, Ayr.  
Nelson, Lancs.  
Southall, Middlesex  
West Auckland, Co. Durham  
Weston-super-Mare, Somerset

### United States

Elmira, N.Y.  
Jersey City, N.J.  
Union, N.J.  
Odenton, Md.  
Cleveland, Ohio  
Centerville, Ohio  
Marion, Ind.  
Chicago, Ill.  
Magnolia, Miss.  
Little Rock, Ark.  
Houston, Texas  
Carson City, Calif.

### Cartons

Burnaby, B.C.  
Folding and Rigid Cartons  
Milk Cartons  
Specialty Cartons

### Bags and Specialties

Burnaby, B.C.  
Kraft Paper Bags  
Notion and Millinery Bags  
Wrapping Papers

### Plastic Products

High Wycombe, England

### Sales Offices and Distribution Centres

#### Building Materials

##### Canada

MacMillan Bloedel Building  
Materials

Dartmouth, N.S.  
Moncton, N.B.  
Drummondville, Que.  
Montreal, Que.  
Quebec City, Que.  
Rimouski, Que.  
Belleville, Ont.  
Brantford, Ont.  
Chatham, Ont.  
Fonthill, Ont.  
Kitchener, Ont.  
London, Ont.  
Orillia, Ont.  
Ottawa, Ont.  
Owen Sound, Ont.  
Sudbury, Ont.  
Thunder Bay, Ont.  
Timmins, Ont.  
Toronto, Ont.  
Windsor, Ont.  
Winnipeg, Man.  
Regina, Sask.  
Saskatoon, Sask.  
Edmonton, Alta.  
Calgary, Alta.  
Lethbridge, Alta.  
Vancouver, B.C.  
Chemainus, B.C.  
Port Alberni, B.C.

R. Laidlaw Lumber Co. Limited

Noranda, Que.  
London, Ont.  
North Bay, Ont.  
Ottawa, Ont.  
Sault Ste. Marie, Ont.

Kingsway Lumber Co. Limited  
Toronto, Ont.

MacMillan Jardine (North  
America) Limited  
Vancouver, B.C.  
Hardwoods

### United States

MacMillan Bloedel (New York)  
Inc.  
Stamford, Conn.  
MacMillan Bloedel  
(Alabama) Inc.  
Birmingham, Ala.  
MacMillan Bloedel Sales Inc.  
Honolulu, Hawaii

MacMillan Bloedel Building  
Materials

Walpole, Mass.  
Rensselaer, N.Y.  
Wayne, N.J.  
Camden, N.J.  
Baltimore, Md.  
Fort Lauderdale, Fla.  
Jacksonville, Fla.  
West Hartford, Conn.  
Atlanta, Ga.  
Portsmouth, Va.  
Houston, Texas  
Portland, Oregon

Robert S. Osgood, Inc.  
Los Angeles, Calif.  
Hardwoods

### United Kingdom

MacMillan Bloedel Meyer  
Limited  
London  
MacMillan Bloedel Panelboard  
Agencies Limited  
London

### Australia

MacMillan Bloedel Pty. Limited  
Sydney, Melbourne

### Orient

MacMillan Jardine Limited  
Hong Kong, Tokyo

### Pulp and Paper

#### Australia

MacMillan Bloedel Pty. Limited  
Sydney, Melbourne

#### Canada

MacMillan Bloedel Limited  
Vancouver, B.C.

### Orient

MacMillan Jardine Limited  
Hong Kong, Tokyo, Singapore,  
Malaysia and Thailand

### United Kingdom and Europe

MacMillan Bloedel Pulp and  
Paper Sales Limited  
London

### United States

MacMillan Bloedel Sales Inc.  
Stamford, Conn.; Atlanta, Ga.  
Powell River-Alberni Sales  
Corporation  
Seattle, Wash.; San Bruno,  
Pasadena, Calif.



## Directors

### Anson Brooks

Seattle, Washington, U.S.A.  
President, Powell River-Alberni  
Sales Corporation

### A. B. Christopher

Vancouver, British Columbia  
President, Montrose Development Ltd.

### The Honourable

#### J. V. Clyne C.C.

Vancouver, British Columbia  
Retired—Formerly Chairman of the  
Board, MacMillan Bloedel Limited

### G. B. Currie\*

Vancouver, British Columbia  
Chairman of the Board,  
MacMillan Bloedel Limited

### J. O. Hemmingsen

Vancouver, British Columbia  
Executive Vice-President, Natural  
Resources, MacMillan Bloedel  
Limited

### G. H. D. Hobbs

Vancouver, British Columbia  
President, Cominco Ltd.

### J. N. Hyland

Vancouver, British Columbia  
President, Granduc Mines, Limited

### Henry Keswick

London, England  
Chairman, Matheson & Co., Limited

### J. M. Meyer C.B.E.

London, England  
Chairman and Managing Director,  
Montague L. Meyer Limited

### William Moodle

Montreal, Quebec  
President, Canadian Pacific  
Investments Limited

### J. E. Richardson\*

Vancouver, British Columbia  
Chairman, British Columbia  
Telephone Company

### I. D. Sinclair Q.C.

Montreal, Quebec  
Chairman and Chief Executive Officer,  
Canadian Pacific Limited

### G. T. Southam

Vancouver, British Columbia  
President, Pioneer Envelopes Ltd.

### J. A. Taylor

London, Ontario  
Chairman, Canada Trust

### D. W. Timmis\*

Vancouver, British Columbia  
President and Chief Executive Officer,  
MacMillan Bloedel Limited

### C. B. Wright

Seattle, Washington, U.S.A.  
President, Pentagram Corporation

## Executive Committee

### G. B. Currie\*

(Chairman)

### J. V. Clyne

### G. H. D. Hobbs

### J. N. Hyland

### J. E. Richardson\*

### D. W. Timmis\*

### C. B. Wright

## Honorary Directors

### H. R. MacMillan\*\*

Vancouver, British Columbia

### W. J. VanDusen

Vancouver, British Columbia

## Officers

### G. B. Currie\*

Chairman of the Board

### D. W. Timmis\*

President and Chief Executive Officer

### J. O. Hemmingsen

Executive Vice-President, Natural  
Resources

### J. R. Forrest

Group Vice-President, Forestry and  
Building Materials

### B. I. Howe

Group Vice-President, Pulp and Paper

### J. H. Lawson

Acting Group Vice-President,  
Transportation

### H. V. Townsend

Group Vice-President, Packaging

### F. H. Britton Q.C.

Secretary and General Counsel

### K. G. Boyd

Vice-President, Wood Supply

### H. R. Chisholm

Vice-President, Raw Material  
Planning and Allocation

### C. M. Dee

Vice-President and General Manager,  
Panelboards

### P. M. Downes

Vice-President, Corporate  
Communications

### S. W. Forstrom

Vice-President, Newsprint Production

### R. L. Gillen

Vice-President, Strategic Planning  
and Development

### A. C. McGougan

Vice-President, Trading Department

### D. L. McLaughlin

Vice-President and General Manager,  
Pulp and Linerboard

### D. H. Parkinson

Vice-President, Finance

### J. S. Rogers

Vice-President, Engineering, Pulp  
and Paper

### R. V. Smith

Vice-President and General Manager,  
Newsprint

### G. J. Towill

Vice-President, Industrial Relations

### D. B. Turner

Vice-President, Logging

### R. N. Wiewel

Vice-President, Newsprint Marketing

### G. L. Ainscough

Chief Forester

### Dr. L. A. Cox

Director, Scientific and Technological  
Assessment

### T. P. Boyle

Corporate Controller

### J. G. Dickinson

General Manager, Ventures  
Investments

### Dr. O. L. Forgacs

Research Director

### D. H. Fricker Q.C.

Corporate Solicitor

### E. G. Legg

Treasurer

### J. O. Miller

Director, Administrative Services

### J. G. C. Cunningham

Assistant Secretary

### R. D. MacFayden

Assistant Secretary

## Registrars and Transfer Agents

### The Royal Trust Company

Vancouver

### The Canada Trust Company

Calgary, Regina, Winnipeg, Toronto,  
Montreal

### The Chase Manhattan Bank

New York

## Auditors

### Price Waterhouse & Co.

Vancouver

## Audit Committee

### J. E. Richardson\*

(Chairman)

### J. V. Clyne

### G. H. D. Hobbs

### J. N. Hyland

### C. B. Wright

\*On March 26, 1976, G. B. Currie and D. W. Timmis resigned, and on the same date J. E. Richardson was appointed Chairman of the Board and acting President.

\*\*Deceased February 9, 1976.











*Fell*

**MacMillan Bloedel Limited**

and Subsidiary Companies

## Interim Report to the Shareholders for the Year Ended December 31, 1975

In 1975, MacMillan Bloedel incurred a loss of \$18,943,000 or \$.89 per share, compared with net earnings of \$72,298,000 or \$3.41 per share in 1974. Sales and other income totalled \$1,297,518,000 compared with \$1,398,848,000 in 1974.

These unfortunate results represent the first time in the Company's history that a loss has been incurred and reflect the impact of three serious factors — prolonged labour disruptions at most of the Company's production facilities in Canada, a world-wide recession in all the Company's major markets for forest products and the impact on the Company's transportation business of one of the worst slumps in shipping markets seen in post war years.

During 1975, labour contracts with the three major unions representing the Company's employees in British Columbia were due for renegotiation. While settlement was eventually reached with the International Woodworkers of America without strike action, no agreement could be obtained with the two unions representing employees at the pulp and paper facilities. A twelve week strike ensued and production did not recommence until after the Provincial Government ordered all parties to resume operations. Negotiations continued and agreements were finally reached in late December, subject to approval by the Anti-Inflation Board. Negotiations with the Canadian Paperworkers' Union at the Company's newsprint mill in New Brunswick were also unsuccessful and on October 23, 1975 the mill was struck. Agreement with the union was finally reached this month and the mill re-opened on February 23. This agreement also is subject to approval by the Anti-Inflation Board.

Notwithstanding some reduction in newsprint demand and weakening of pulp and paper markets MacMillan Bloedel's pulp and paper operations were somewhat less depressed in 1975 than other areas of the Company's business. Consequently, the impact of the strike was particularly significant in this area of the Company's activities.

The shrinkage of world demand for lumber and plywood resulting from the continuing global recession had a seriously adverse effect on the earnings of MacMillan Bloedel's forestry and building materials operations throughout 1975, and the related reduction in log prices coupled with increased logging costs caused substantial losses to be incurred in the logging sector of those operations.

The third major factor affecting the Company's earnings in 1975 related to its transportation business. During 1974, the Company undertook a major expansion of its fleet in order to participate in the carriage of external

cargo and sub-charter markets. While this policy resulted in significant profit contributions in 1974, the increased tonnage left the Company vulnerable to the major and unanticipated decrease in freight and charter rates which occurred last year. This exposure was magnified in 1975 by reductions in shipments of forest products. While every action was taken to minimize the effect of these lower rates and reduced shipments and to keep the fleet fully utilized, the Company's transportation operations nevertheless incurred losses amounting in total to approximately \$26 million (after income tax recoveries) for the year. This figure includes a provision of \$5 million (after income tax recoveries) with respect to losses on voyages and sub-charters entered into in 1975 but terminating in 1976 and 1977.

With reference to the fourth quarter of 1975, demand and prices for building materials increased only modestly and remained at very low levels. Shipments from the Company's British Columbia newsprint mills resumed at full capacity levels following the post strike start-up of operations, reflecting a degree of consumer inventory rebuilding in the United States and some strength in other markets. Pulp shipments were well below capacity since significant amounts of inventory existed in all markets — particularly in Europe. The backlog of orders at most of the Company's packaging operations continued to build during the fourth quarter, resulting in an increased demand for MacMillan Bloedel produced liner-board. The Company's transportation activities continued to be depressed for the reasons referred to above.

Although the Company's transportation activities will incur losses again in 1976, the gradual economic recovery which is occurring in the United States and the likelihood that the European and Japanese economies will follow the United States lead, suggest reasonably encouraging prospects for the Company in 1976.

More detailed comments on the year's results will be given in the Annual Report of the Company which will include the audited financial statements for 1975, and which will be mailed to shareholders within the next few weeks together with notice of the Annual General Meeting.

*Paul T. Quinn*

Chairman

Vancouver, Canada  
February 27, 1976

*Sumner*

President



# **CONSOLIDATED STATEMENT OF EARNINGS**

**YEAR ENDED DECEMBER 31**

(in millions of dollars)

**1975**

**1974\***

**Sales and other income:**

Sales of products and services .....	\$1,296.7	\$1,396.3
Other income .....	.8	2.5
	<u>1,297.5</u>	<u>1,398.8</u>

**Costs and expenses:**

Cost of sales and services and selling, general and administrative .....	1,284.6	1,264.4
Interest on borrowed money .....	31.7	21.4
	<u>1,316.3</u>	<u>1,285.8</u>

Earnings (loss) before income taxes and other undernoted items ..... (18.8) 113.0

**Income taxes:**

Current .....	(11.2)	43.2
Future years .....	8.4	14.9
	<u>(2.8)</u>	<u>58.1</u>

Earnings (loss) before undernoted items ..... (16.0) 54.9

Equity in earnings (losses) of partly-owned companies ..... (3.1) 19.1

Minority interests in subsidiaries ..... .2 (1.7)

Net earnings (loss) ..... \$ (18.9) \$ 72.3

Basic net earnings (loss) per share (dollars) ..... \$ (.89) \$ 3.41

Subject to audit

\* Certain 1974 figures have been restated to give retroactive effect to a change in accounting for the cost of spur logging roads in British Columbia. As the company made a general provision in 1974 the consolidated net earnings for that year remain unchanged.

This interim consolidated statement has been approved by the Board of Directors:

G. B. CURRIE, Director

D. W. TIMMIS, Director

## **HISTORICAL REVIEW**

Year	Sales and Other Income (in millions of dollars)	Net Earnings (Loss)	Basic Net Earnings (Loss) Per Share (dollars)
1971 .....	\$ 778.0	\$ 25.9	\$1.24
1972 .....	\$ 966.5	\$ 40.2	\$1.92
1973			
1st quarter .....	\$ 271.4	\$ 19.7	\$ .94
2nd quarter .....	334.5	31.1	1.49
3rd quarter .....	290.8	13.7	.66
4th quarter .....	322.5	17.3	.81
	<u>\$1,219.2</u>	<u>\$ 81.8</u>	<u>\$3.90</u>
1974			
1st quarter .....	\$ 329.9	\$ 20.1	\$ .95
2nd quarter .....	391.0	30.1	1.42
3rd quarter .....	327.0	12.8	.60
4th quarter .....	350.9	9.3	.44
	<u>\$1,398.8</u>	<u>\$ 72.3</u>	<u>\$3.41</u>
1975			
1st quarter .....	\$ 305.4	\$ 6.1	\$ .29
2nd quarter .....	410.5	13.8	.65
3rd quarter .....	265.0	(32.7)	(1.54)
4th quarter .....	316.6	(6.1)	(.29)
	<u>\$1,297.5</u>	<u>\$ (18.9)</u>	<u>\$ (.89)</u>

Unaudited